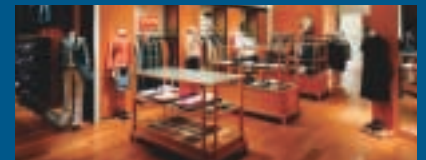
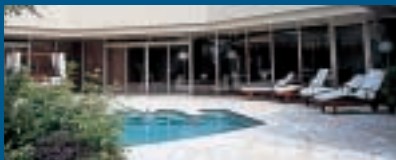


TOKYU REIT

TOKYU REIT, Inc. Semiannual Report Fourth Fiscal Period
From February 1, 2005 to July 31, 2005



Stable Earnings and Cash Distributions through Investment in Highly Competitive Properties in Areas with Strong Growth Potential



TOKYU REIT, Inc. (TOKYU REIT) listed on the Tokyo Stock Exchange on September 10, 2003 as the seventh Japanese real estate investment trust (J-REIT). TOKYU REIT manages its assets to secure growth, stability and transparency with the ultimate objective of maximizing investor value.



Basic Policy of **TOKYU REIT**

1 Investment strategies that accelerate growth

Investment in properties in central Tokyo and the Tokyu Areas – areas with strong growth potential
 Committed to continued collaboration with Tokyu Group companies
 Growth through heightened added value of the Tokyu Areas

2 A portfolio that secures stability

Diversified property uses and limited investment regions
 Winning long-term contracts with well-balanced tenants
 Investment criteria aimed at low risk and steady returns

3 Fund structure that backs transparency

Establishment of rules for preventing conflicts of interest
 Independent third-party checks
 Proactive disclosure of transaction details

TOKYU REIT, Inc.

Semiannual Report
 Fourth Fiscal Period

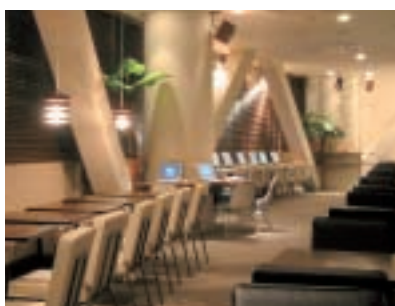
From February 1, 2005 to July 31, 2005

4th

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Financial Summary

	4th Fiscal Period	3rd Fiscal Period
Assets		
Total Assets	¥162,180 million	¥147,230 million
Debt		
Interest-Bearing Liabilities	¥64,500 million	¥50,500 million
Total Assets Loan-to-Value (LTV) Ratio	39.8%	34.3%
Income		
Operating Revenues	¥5,684 million	¥5,044 million
Net Income	¥1,959 million	¥1,852 million
Distributions		
Cash Distribution per Unit	¥13,798	¥13,045
Valuations		
Average Market Price per Unit	¥726,082	¥690,705
Distribution Yield	3.83%	3.75%



Highlights

- Three consecutive periods of increased revenues and income
- Portfolio growth through property acquisition
- Outstanding occupancy rate (99.1%) as of July 31, 2005, at the end of the fourth fiscal period
- Implementation of strict corporate governance
- Proactive IR activities

To Our Unitholders

On behalf of TOKYU REIT, Inc. ("TOKYU REIT"), I would like to express my sincere appreciation to all our REIT unitholders for their continued support and understanding. The following pages provide an overview of the operating environment and our results for the fourth fiscal period, February 1, 2005 through July 31, 2005.



Masahiro Horie

TOKYU REIT, Inc.
Executive Director

Tokyu Real Estate Investment Management Inc.
Representative Director & President, Chief Executive Officer

General Meeting of Unitholders and Management Performance Reporting Session

The second General Meeting of Unitholders and Fund Management Performance Reporting Session were held on April 19, 2005 with many unitholders in attendance.

The General Meeting of Unitholders resolved to reappoint myself as the Executive Director and the two Supervisory Directors. The Management Performance Reporting Session was successful and we were able to obtain many valuable opinions from our unitholders who were in attendance. We will apply these opinions in our efforts as we strive to meet your expectations.

Cash Distribution of ¥13,798 Per Unit

In the fiscal period under review, TOKYU REIT experienced an increase in both revenues and income. Operating revenues for the fourth fiscal period amounted to ¥5,684 million, while net income totaled ¥1,959 million. Spurred by these positive results, TOKYU REIT paid a cash distribution of ¥13,798 per unit. This is an increase over the cash distribution per unit of the last period of ¥13,045. The reasons for this were the contributions to revenues by external growth secured through the full-period operation of the Fujita Kanko Toranomon Building, which was acquired in the third fiscal period, and the PICASSO347 property, which



we acquired during this period. Internal growth accompanying improved occupancy rates and other factors also had a positive impact on the increase of distributions.

Acquisition of PICASSO347

On April 6, 2005, TOKYU REIT obtained a 60% quasi-co-ownership interest in PICASSO347. This raised our

asset portfolio as of the end of the period under review to 17 properties and a total of ¥148,060 million. PICASSO347 is an urban type retail property located a three-minute walk from Shibuya Station. Tenant leasing operations, a very vital responsibility for the success of retail properties, has been outsourced to Tokyu Merchandising and Management Co., Ltd., which operates and manages the Tama Plaza Tokyu Shopping Center, Queen's Square YOKOHAMA [at!], GRANDBERRY MALL, etc. We will further raise the value of this property hereafter by securing the optimal tenant mix. In addition, in fiscal 2007, the Tokyo Metro 13 Line subway will open below Meiji Dori (avenue), which fronts this property, and a station exit will open near this building. This subway is to link Ikebukuro and Shibuya by way of Shinjuku 3-chome. Furthermore, direct through service with the Tokyu Toyoko Line is planned for fiscal 2012. These developments will heighten the ability of the property to draw customers, giving it exciting potential for the future. TOKYU REIT's continued strategy of "investment in highly competitive properties in areas with strong growth potential" will further enable us to expand our asset scale and enhance our portfolio quality.

Building, and the 17th floor and 25th floor of the Setagaya Business Square were unoccupied; however, we have succeeded in contracting with tenants for these spaces. During this period we have successfully attracted 15 tenants that are either new or seeking additional space. Because TOKYU REIT has competitive properties we are able to enjoy the blessings of the economic recovery before others.

Upward Turn of Returns in the Eleven Properties in Portfolio at Time of IPO

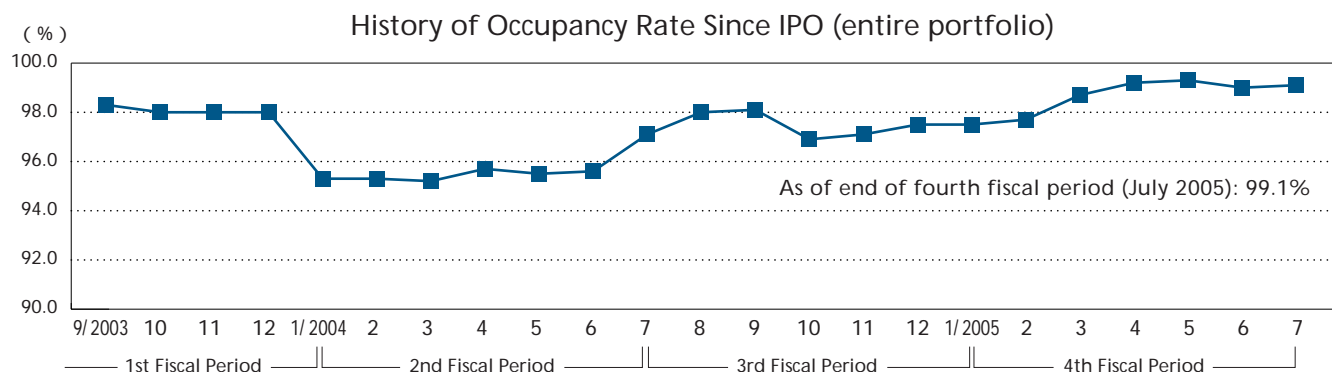
This performance has effectively had a positive impact on our financial results also. Since listing in September 2003, the rental market in the Tokyo metropolitan area had fluctuated weakly due to the Year 2003 Problem and the fact that the economy was not taking a committed step to recovery. These conditions at one time temporarily led the occupancy rate of our entire portfolio to fall to the 95% level. The NOI yield (lease business profit margin = NOI/acquisition price) of the eleven properties TOKYU REIT had in its portfolio at the time of the IPO had gradually decreased through the last fiscal period (6.8% in first fiscal period (6.0% when impact of public charges and taxes are eliminated), 5.8% in the second fiscal period and 5.7% in the third fiscal period). However, the NOI yield of these eleven properties recovered in the fourth fiscal period to 5.9%.

We are confident that this is not only a result of the latent strength of these properties but also our diligence in tenant leasing and cost reductions.

Demonstration of Tenant Leasing Ability

TOKYU REIT has achieved stable asset management with 14 of 17 properties enjoying full occupancy as of the end of this fiscal period. The occupancy rate of all our properties as of the end of the fiscal period was 99.1%. Previously, the 18th floor of the Resona Maruha

Maintaining High Occupancy Rate



Growth Achieved through Collaboration with Tokyu Group Companies

TOKYU REIT will continue to take full advantage of the management resources, including expert personnel, property acquisition and management know-how accumulated by Tokyu Group companies with the aim of accelerating cash flow growth.

In particular, TOKYU REIT will utilize the “Pipeline Support” established with Tokyu Group companies, specifically the first option in connection with the sale of certain properties by Tokyu Corporation and Tokyu Land Corporation in the event either company decides to dispose of properties to third parties. As of the end of this fiscal period, seven of our 17-strong investment portfolio (total acquisition price of ¥63,590 million), including QFRONT and the Setagaya Business Square, were property developments of Tokyu Group Companies and were acquired by TOKYU REIT.

Creating a positive investment cycle, the proceeds paid to Tokyu Corporation, Tokyu Land Corporation and other Tokyu Group companies are in part reinvested into railway networks, transportation capacity enhancement, property development projects and the construction of office buildings, retail properties, residential and other

developments in areas targeted by TOKYU REIT. This generates added value and contributes to enhancing the value of the area in which TOKYU REIT invested properties are located.

TOKYU REIT will continue to collaborate with Tokyu Group companies in an effort to assure the growth potential.

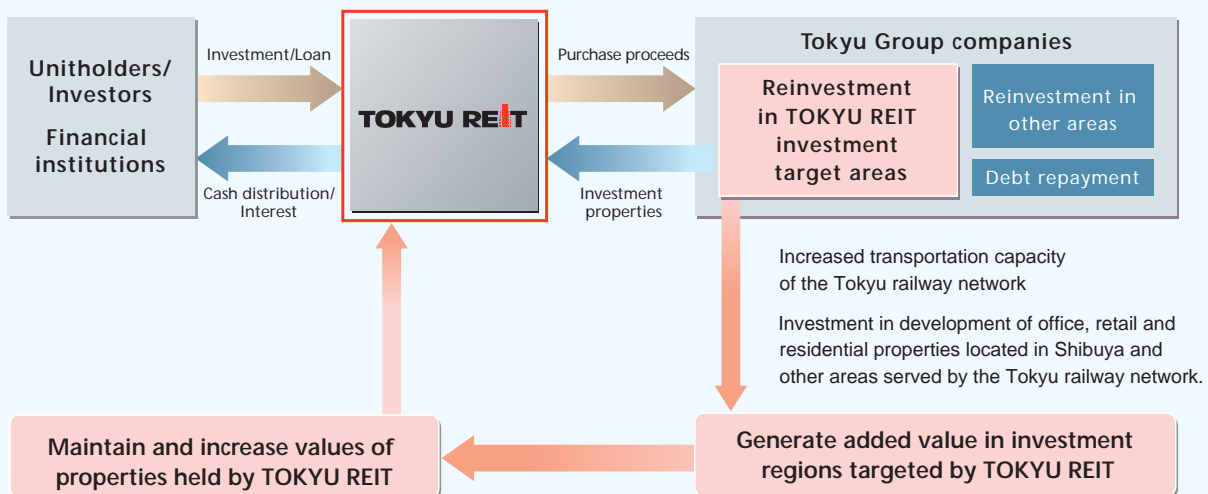
Issuance of New Investment Units and Outlook for Fifth Fiscal Period

On July 6, 2005 the Board of Directors of TOKYU REIT resolved to issue new investment units and conduct a secondary offering that increased capital by 27,380 units in August. As a result, we received paid in capital totaling ¥20,159 million. These cash were applied to acquisition of a 40% quasi-co-ownership interest in PICASSO347 and for partial repayment of short-term debt. Further, the balance of our debt as of the end of August 2005 is ¥54,000 million.

TOKYU REIT’s performance outlook for the fifth fiscal period is ¥6,234 million in operating revenues, ¥2,269 million in net income and cash distribution of ¥13,400 per unit.

Although this is a decrease from the ¥13,798 per

TOKYU REIT Cyclical Reinvestment Model



Tokyu Group companies may reinvest cash collected from selling properties to TOKYU REIT into real estate development along Tokyu lines area and other businesses. This reinvestment contributes to invigorating economic activities in areas along Tokyu railway lines, and thus improves the added value of areas targeted for investment by TOKYU REIT and both maintains and improves the value of properties it possesses.

unit of the fourth fiscal period, this is a result of the increase in investment units implemented at the beginning of the fifth fiscal period to increase capital. This increase in capital not only further heightened our financial soundness, it also solidified our position for securing external growth capabilities hereafter through the acquisition of properties.

On May 23, 2005, the Tokyo Stock Exchange requested TOKYU REIT to submit an Improvement Report. This request was issued due to an inadequate entry on the Asset Management Statement we submitted to the Exchange. On June 6, we submitted said Report and it was accepted. We regret having worried our investors. TOKYU REIT has taken measures to prevent the reoccurrence of such an instance and has taken steps to improve the organization for appropriately submitting documents to said Exchange.

On September 6, 2005, TOKYU REIT secured the following issuer credit ratings: A+ (Rating outlook: Positive) from Rating and Investment Information, Inc., A (Outlook: Stable) Standard & Poor's Rating Services and A2 (Rating outlook: Stable) from Moody's Investors Service. We interpret these ratings to mean that the properties and management stance of TOKYU REIT are recognized as stable.

On the other hand, there were periods when the investment unit prices of REITs, including TOKYU REIT,



were not necessarily stable, but TOKYU REIT will continue on its path of securing stable earnings and dividends hereafter through our core policies of "investment in highly competitive properties in areas with strong growth potential," "collaboration with Tokyu Group companies" and "Demonstrating highly transparent corporate governance and information disclosure."

October 2005



Masahiro Horie

In his role as CEO of REIT's investment manager, Mr. Horie draws on the wealth of experience he has accumulated throughout his career.

1984

Entered Tokyu Corporation
Posted to Saginuma Station, conductor servicing the Den-en-toshi Railway Line.

1985

Participated in development planning of the Tama Den-en-toshi area, undertook broad-based studies of the real estate business.

1986

Logistical support in Japan for overseas real estate development projects located on the west coast of the United States and Hawaii. Participated in broad-based activities including investment decision making, development, management, purchase and sale of resort facilities, commercial facilities, hotels, office buildings and residential properties.

1989

Transferred to hotel management company domiciled in Honolulu, Hawaii. Engaged in business activities relating to finance, legal and development planning. Engaged in support work for private trustee. Served as assistant trustee.

1994

Posted to the Finance & Accounting Division of Tokyu Corporation. Engaged in activities relating to capital markets and the issue of ordinary bonds in Japan.

1996

Posted to the Group Controllers Division. Participated in formulation and reorganization plans of a number of Tokyu group companies.

1999

Appointed to the Group Restructuring Strategy & Investor Relations Division. Engaged in restructuring Tokyu group businesses and formulating group company financial measurement indicators, M&A, share exchange and investor relations activities. Promoted REIT business proposal as part of the Tokyu Group's Management Policy announced in 2000, commenced REIT business feasibility study.

2001

Posted to Tokyu Real Estate Investment Management Inc. (Tokyu REIM) at the time of company incorporation. Appointed Tokyu REIM Executive vice president and representative director.

2002

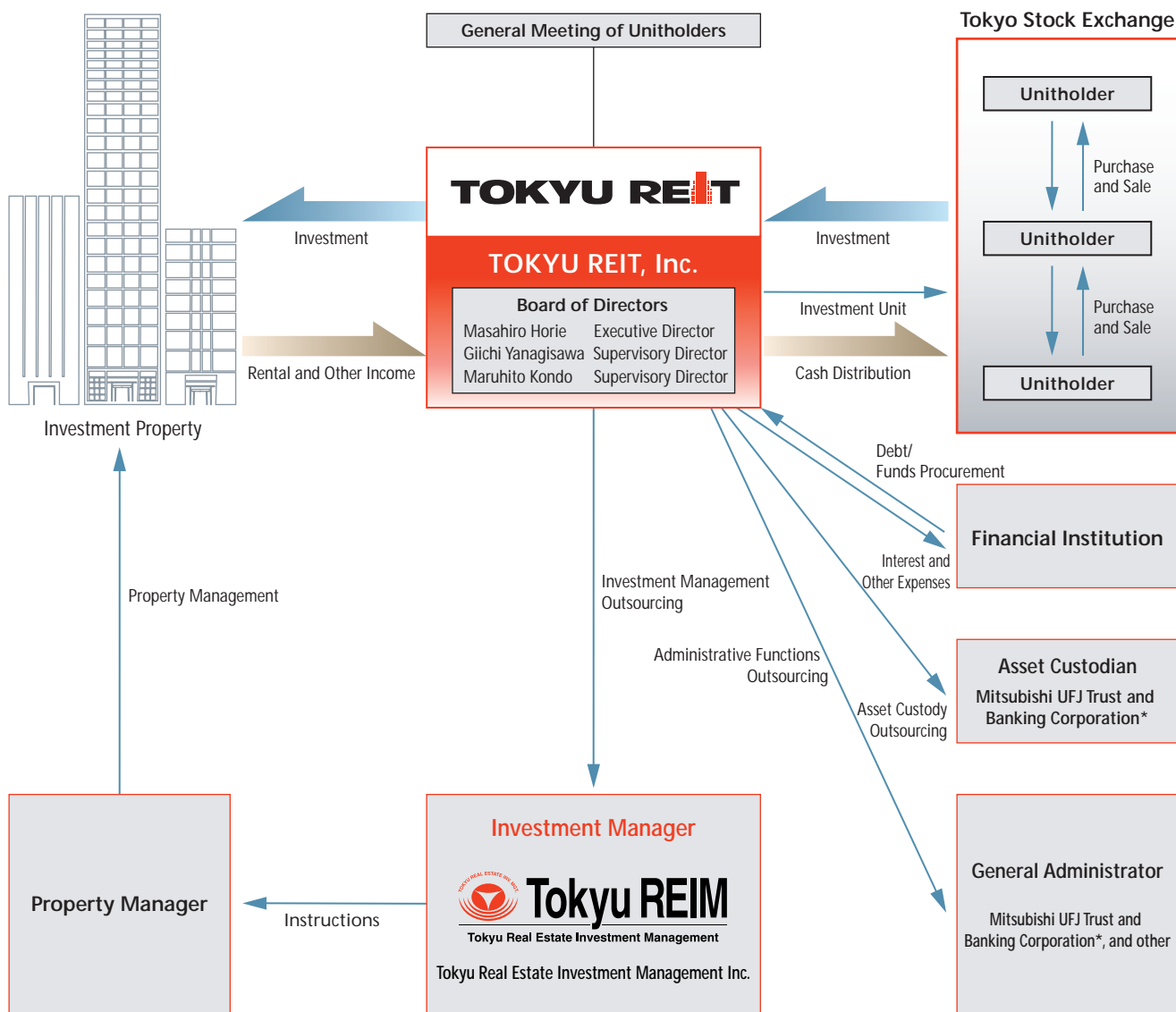
Appointed Representative Director, President and Chief Executive Officer of Tokyu REIM.

2003

Obtained approval from the Financial Services Agency in order to act as on executive director of TOKYU REIT, Inc. and as a representative director, president and chief executive officer of Tokyu REIM.

Management

TOKYU REIT Structure and External Service Providers



* The Mitsubishi Trust and Banking Corporation changed its name to Mitsubishi UFJ Trust and Banking Corporation on October 1, 2005.

TOKYU REIT outsources investment management, asset custody and administrative functions.

Masahiro Horie serves as executive director of **TOKYU REIT** and representative director, president and chief executive officer of its investment manager, Tokyu REIM, concurrently with the aim of ensuring close ties between **TOKYU REIT** and Tokyu REIM and promoting increased efficiency.

Pursuant to Article 13 of the Investment Trust Law, the appointment of TOKYU REIT's Executive Director was confirmed by the Financial Services Agency on June 16, 2003.

Underpinned by investment policies held in common with **TOKYU REIT**, Tokyu REIM strives to maximize unitholder value through business growth, stability and transparent operations. In addition, Tokyu REIM follows strict internal rules governing conflicts of interest and takes all necessary care in transactions with Tokyu Group companies.

Investment Manager Tokyu Real Estate Investment Management Inc.

URL: www.tokyu-reim.co.jp

Name, Paid-in Capital and Business Description

Name	Tokyu Real Estate Investment Management Inc.
Paid-in capital	¥300 million (as of September 30, 2005)
Business description	Asset management for investment corporations and consulting as regulated in Article 2-17 of the Investment Trust Law and management services.

Total Shares and Variation in Paid-in Capital

Authorized shares (as of September 30, 2005)	10,000 shares
Shares issued and outstanding (as of September 30, 2005)	6,000 shares

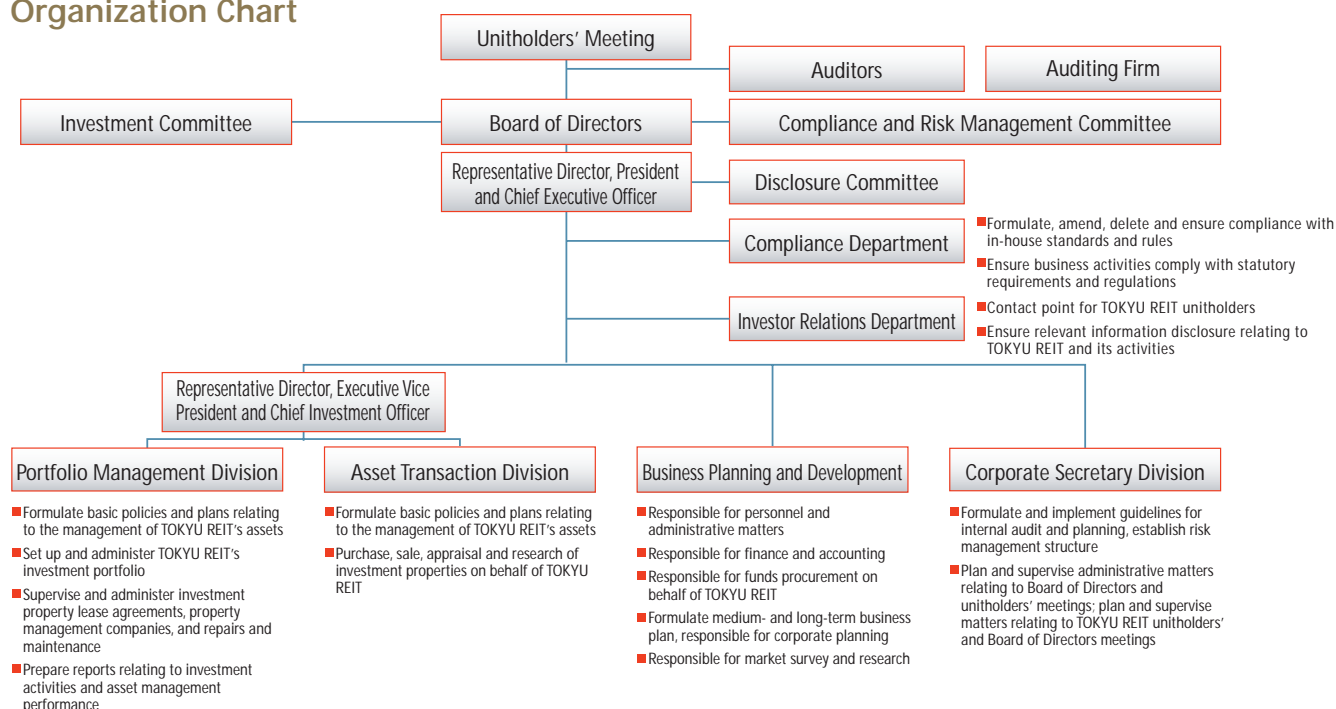
Variation in Paid-in Capital Over the Past 5 Years

Date	Variation in Paid-in Capital
September 26, 2001	Paid-in capital increased from ¥100 million to ¥125 million
September 28, 2002	Paid-in capital increased from ¥125 million to ¥300 million

Major Unitholders (as of September 30, 2005)

Name	Address	Shares Held	Ratio
Tokyu Corporation	5-6 Nampeidai-cho, Shibuya-ku, Tokyo	3,600 shares	60%
Tokyu Land Corporation	1-21-2 Dogenzaka, Shibuya-ku, Tokyo	2,400 shares	40%
Total		6,000 shares	100%

Organization Chart



Board of Directors

A management structure has been implemented whereby the Board of Directors is responsible for business management, such as decision making on business strategy and other important matters relating to the execution of business operations. In addition, the Board of Directors supervises business operations undertaken by the representative director and executive officers. During the fourth fiscal period, Tokyu REIM's Board of Directors met on thirteen occasions.

Investment Committee

The Investment Committee is comprised of the president (who serves as chairperson), three non-executive directors and a property appraiser. The Investment Committee discusses the initial drafts of, and any amendments to TOKYU REIT's management guidelines and fund management plan, portfolio asset allocation, and possible investment and disposal of a property. This information is presented to the Board of Directors with the Committee's opinion and recommendation. During the fourth fiscal period, the Investment Committee met on fourteen occasions.

Compliance and Risk Management Committee

The Compliance and Risk Management Committee was established to ensure independent third-party checks of internal rules regarding related-party transactions. The Compliance and Risk Management Committee is comprised of two non-executive directors (one of whom serves as chairperson) and two external committee members. Under the guidance of the Board of Directors, the Compliance and Risk Management Committee discusses material matters relating to compliance and risk management as well as the adequacy of internal rules regarding related-party transactions. It also provides opinions and recommendations to Tokyu REIM's Board of Directors. While third-party confirmation is obtained regarding the adequacy of rules applicable to individual transactions, matters are referred to the compliance officer and forwarded to the Compliance and Risk Management Committee for discussion as required, when the third party determines the matter warrants special mention. During the fourth fiscal period, the Compliance and Risk Management Committee met on eleven occasions.

Disclosure Committee

The head of the Disclosure Committee is the Investor Relations Officer. The other members of the Committee include the Compliance Officer, Corporate Secretary Officer, Business Planning Officer and other members the Committee head judged to be necessary. Of information that is disclosed on a timely basis, the Committee reviews the handling of disclosure concerning matters that occur regarding TOKYU REIT, Tokyu REIM and TOKYU REIT's assets under management. The results of the Committee's discussions are reported to the Representative Director, President and Chief Executive Officer. The Disclosure Committee met five times during the fourth fiscal period.



Special Feature

Special Issue

Asset Transaction Officer's Report

The skill at acquiring properties has a tremendous impact on the performance of funds. Presently, the asset portfolios of REITs and other property funds are expanding rapidly and the competition over the acquisition of blue-chip properties is intensifying. Takuya Iwai is the man at the helm for acquiring properties at Tokyu REIM within this environment and he has provided the following report on the external growth strategy and performance of TOKYU REIT.

Takuya Iwai

Executive Officer and Asset Transaction Officer
Tokyu Real Estate Investment Management Inc.

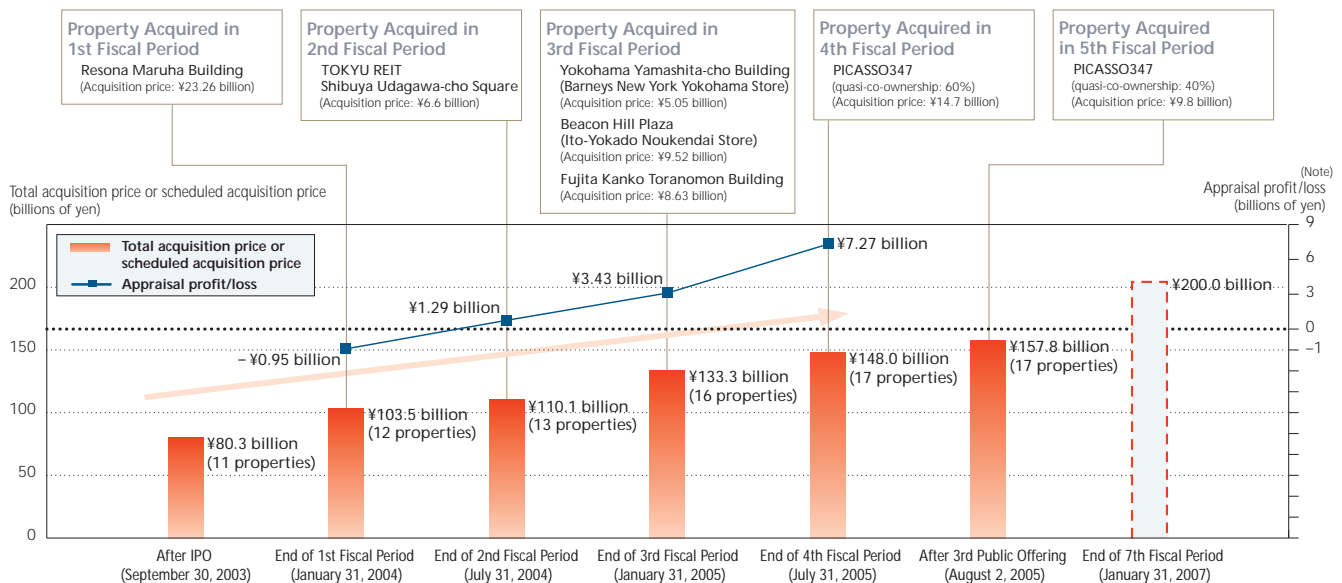


Steady External Growth

Since listing in September 2003 with an asset portfolio of ¥80.3 billion (11 properties), TOKYU REIT has steadily achieved external growth and as of the end of August 2005 boasts a portfolio of ¥157.8 billion (17 properties).

The external growth objective of TOKYU REIT is to reach a portfolio of ¥200 billion by the end of the seventh fiscal period (the fiscal period ending January 31, 2007). Of course, this is no more than a milestone and our intent is to continue registering external growth thereafter.

Acquisition Performance



(Note) Appraisal profit/loss is the difference between the total appraisal value at the end of period or appraisal value at acquisition and the book value.

The Need for External Growth

One of the characteristics of a REIT is that it holds multiple properties and secures benefits from diversifying its portfolio, external growth makes this logic fact. TOKYU REIT presently owns properties that provide steady earnings, but further diversification is necessary to realize steady dividends while absorbing various risks such as terminations of contracts by tenants and major renovations to buildings.

Another benefit of external growth is that the additional investment units issued in correlation with the expansion of our portfolio also contribute to heightening our liquidity.

Strictly Adhered Investment Policy

TOKYU REIT establishes its investment policy based on the stance of “investment in highly competitive properties

in areas with strong growth potential.” The targeted area for investment is restricted to the economically strong Tokyo metropolitan area because of the overwhelming concentration of the Japanese economy on Tokyo. Within this policy, we have concentrated over 85% of our portfolio on the five central Tokyo wards and Tokyu Areas where stable growth can be anticipated. This does not mean that we invest in any properties within these growth areas. TOKYU REIT has established investment standards to ensure we only invest in competitive properties and these standards are strictly complied with.

In this manner, TOKYU REIT has one of the strictest investment policies among the J-REITs – in other words, the range of our discretion as an asset manager is quite limited. It is our basic policy that we disclose clear investment standards to unitholders and pledge to not diverge from these standards in managing TOKYU REIT. We are confident that this serves as a positive assurance

Investment Criteria

	Office Properties	Retail Properties
1. Location	With respect to the acquisition of office properties, TOKYU REIT assesses an area's concentration of office buildings, local rental market conditions, the centrality of the nearest train station and the proximity of the property to the nearest train station. In principle, TOKYU REIT only considers office properties that are within a seven-minute walk distance from a train station.	With respect to the acquisition of retail properties, TOKYU REIT conducts a market evaluation. Areas of assessment include the latent purchasing power of the targeted area, growth potential, compatibility between tenants and the business category, current competition conditions and competition from surrounding areas, plans for store openings by competitors, and other factors.
2. Property Size	As a general policy, TOKYU REIT only invests in office properties with more than 5,000m ² of total floor space and at least 300m ² of proprietary floor space per standard floor.	TOKYU REIT determines the appropriate size of each retail property with consideration of location, market size, the features of the area and standard floor space for each business category, as well as the growth potential of the area.
3. Fixtures	TOKYU REIT invests in office properties with fixtures and equipment that are above standard with respect to floors, ceilings, facilities, common areas and other amenities.	TOKYU REIT considers retail properties individually, giving general consideration to the versatility of such property, the ability to alter its designed use and its accessibility for retail consumers.
4. Investment Amount	In principle, TOKYU REIT looks to invest in properties with an acquisition price exceeding ¥4.0 billion.	
5. Earthquake Resistance	TOKYU REIT intends to invest in properties that are in compliance with current earthquake regulatory standards in the Building Standards Law, have been reinforced against earthquakes, and have a probable maximum loss (PML) of less than 15%.	
6. Environment and Soil Quality	Investment decisions are made following sufficient investigation of toxic substance content of buildings, soil contamination and other issues. These findings are then considered for their medium- to long-term impact on TOKYU REIT operations; after which, the decision is made individually for each property.	

to our investors that we will record stable cash flows in the medium- to long-term. I was involved in establishing the investment policy and approach investment decisions on individual properties based on a deep understanding of this policy.

The total appraisal value at the end of period of properties owned by TOKYU REIT as of the end of the fourth fiscal period exceeds the total book value by ¥7,270 million. This appraisal value was gained from the audit by a third party and is proof positive of the appropriateness of our investment policy and acquisition performance.

The Recent Real Estate Investment Market

Prices in the real estate investment market are increasing in line with the increase in the players. On the other hand, the number of properties being monetized is also increasing leading to an ever-increasing number of properties being brought to us for potential acquisitions. Since listing, TOKYU REIT has acquired six properties in two years with a value of ¥77.5 billion, but I personally have actually looked at several hundred properties during this period. This reveals the extent to which we are careful and strict in our decision-making process.

Essentials of Property Acquisitions

My role within the investment management company is to propose the acquisition of properties and form a consensus on their acquisition as we promote external growth. I first make proposals and then the Investment Committee, the Compliance and Risk Management Committee and the Board of Directors hold intense debates on the appropriateness of the acquisition and the pricing level. In other words, the decision rests on our ability to convince the members of the above committees, which include outside parties, about the acquisition.

Of course, the major premise for us is that the risk and return of the property match the investment because we are acquiring the property as an investment. If we are neglectful in extracting the risks of a property, we may end up with properties that have enormous risk

since we have failed to make an appropriate appraisal. In addition, if we take the cash flow for granted, we may develop a mistaken interpretation of what the return should really be. The appraisals of a price is an inextricable link between such efforts as identifying property risks for properties being looked at for acquisition, the form of control needed to minimize said risks and the proposal of measures to raise the value. Thus property acquisition work can be defined as determining the true value of a property and our ability to propose solutions that will reach that value.

Case Study 1: Fujita Kanko Toranomon Building

(The name is scheduled to be changed to TOKYU REIT Toranomon Building in February 2006)

A good example that shows TOKYU REIT controlling risk is the Fujita Kanko Toranomon Building we acquired on December 15, 2004 (third fiscal period).

This property is a blue-chip office building boasting an excellent location about one minute from Kamiyacho Station and with a rectangular office space of 350 tsubos. It is a jointly-owned building with 10 different individual compartmentalized owners. In addition, the ownership interests of five of the individuals have been rented on the premise of subleasing them. Ordinarily, a building jointly owned with individuals has a management association formed and management conducted by that association. Setting aside the problems of workload, many problems must be overridden including the difficulty in forming a consensus in the event of large repairs, the possibility of interests held by individuals being sold to a third party and how to preserve deposits received for the subleases. Consequently, these properties have many more problems to overcome than wholly owned properties.

First, prior to concluding a sales and purchase agreement, I met with each of the individual co-owners. Through this face-to-face communication I was able to conclude that each of these property owners were serious about raising the asset value of the entire building and that there was the possibility of being able to build a relationship where positive management of the jointly-owned building would be possible. I was also able to convince the property owners that we were

committed to serious, fair building management that would be worthy of the performance we have built to date.

As for major repair costs, the building is of an age that costs would begin to be incurred. The management association had established a medium-term repair plan, but had not set aside sufficient reserves for the repairs. However, from the initial stages of studying the potential acquisition, I had concluded that the building management costs could be reduced and that the savings could be transferred to the repair reserves. This in my judgment would enable stable property management without an additional funding burden placed on the individual owners in the medium-term. In accordance with our planning, after acquiring the property in December 2004, we held a bid for building managers in March and were able to reduce costs without reducing the quality of the management. In the July meeting of the compartmentalized co-owners, a resolution was passed for a repair expense reserve system.

I will not cover the solutions we had for other issues in this space, but we were able to extract and minimize the unique risks of the property or successfully control such risks so that the acquisition decision was able to pass through our decision-making process.

Further, even though this property acquisition involved a competitive bid process, since it was a property that required skill and trust as indicated above, we were able to avoid excessive competition and acquire the property for a suitable price with an NOI return of 5.5%. Since we had the solutions for controlling the risk, we were able to secure the property for a high return.

In addition to this case, there are other cases where we were able to minimize the risk of TOKYU REIT by negotiating with the seller prior to acquisition and carrying out the construction. Examples of these efforts are the recovery construction to the compartmentalized co-owned portion of QFRONT and construction to remove asbestos at the Tokyu Saginuma 2 Building.

Case Study 2: PICASSO347

PICASSO347 is a major retail property located in Shibuya. Shibuya is a one-of-a-kind concentration of retail properties in Japan and PICASSO347 is suitable for REIT investment. Taking the circumstances of the real estate transaction market with its present rent levels and assumed acquisition prices into consideration, there were worries about the low investment returns. However, I was able to discern the potential of the property and was convinced that we could secure a sufficient return when future cash flow was considered. In the case of this property, I placed the emphasis not on minimizing the risk but on drawing a proper growth story for raising the value of the property.

Specifically, 1) the potential for increasing property visitors, 2) growth potential of rent, and 3) the room for reducing expenses were identified. In regards to 1), presently 1.4 million people use Shibuya Station and this number is growing. Furthermore, a new subway line is being launched that will naturally cause the number of store visitors to grow a certain extent. These were what anybody could have anticipated. However, information had also been obtained that one of the entries to the new station would be located right in front of this property. Based on experience in managing and operating retail properties it was also judged that the recognition of the property and visitor numbers could be heightened by renaming the building and conducting correlating advertising and promotions. In this manner, the strength of the location and building potential were confirmed.

In regards to 2), the leasing contracts with individual tenants were appraised with an eye on their impact on property competitiveness and we confirmed that there were several tenants that were not necessarily at the appropriate rent levels for the building. Prior to acquiring the property, we had shared added-value strategies with Tokyu Merchandising and Management Co., Ltd., who had been outsourced tenant leasing operations by the property manager, Tokyu Corporation. We plan to implement this strategy.

In regards to 3), based on our managing experience with the other properties, we were able to secure about

¥30 million annually in improved income/expenditures by conducting a building manager bid and changing the parking lot management method.

Following these steps, we decided to acquire PICASSO347 and we are presently endeavoring to make this growth story a reality as it has been voiced to not only members of Tokyu REIM but also to the investors.

It is not our intent to continue on a path of external growth just by dropping an expected return. We intend to achieve an increase in total return over the long-term for our investors.

Furthermore, the Resona Maruha Building was acquired on January 15, 2004 based on a growth story. We have since succeeded in renting the two floors previously empty and are confident that the pledged growth story has been realized.

Off-Market Transactions

Both of the case studies were examples of competitive bids (on market), but in actual fact most of the properties in the TOKYU REIT portfolio were acquired through off market transactions such as the Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) and other properties developed by Tokyu Group companies.

As was indicated in the example of the Fujita Kanko Toranomom Building, it is not true that a premium is always paid for an on market transaction and a discount for off market transaction. There is vital meaning to spreading our antenna and laying a robust pipeline for

on market and off market transactions as a means to secure accelerated external growth.

Stance as a Professional

Despite the intensified competition in the real estate investment market, TOKYU REIT has steadily improved its portfolio quality through investments according to a strict policy.

In conducting investment driven by strict criteria, the party responsible for property acquisitions in the asset manager of the REIT must have the ability to discern the value of properties. There is no such thing as a property free of risk. There is also no such thing as a property that can generate eternally unchanging cash flow. This is precisely why it is vital to draw a property's internal growth and risk control scenarios prior to acquisitions and to see their realization through.

The aptitude and skills for acquiring properties will become even more vital in correlation with further growth in the real estate investment market in the future. As a real estate investment professional, I promise to continue diligently working to secure steady growth of the funds investors have placed with us.



Takuya Iwai

1985

Entered Tokyu Corporation Assigned to Nakameguro Station and serves as conductor on the Toyoko Line.

1986

Oversees tenant placement of the Tokyu Sakuragaoka-cho Building, which is presently owned by TOKYU REIT, when assigned to the Planning Department of the Building Division.

1988

As a member of a new project team, studied the basic concept for the Cerulean Tower.

1991

Conducts the planning, budget and progress management, negotiations with joint operators, contracting with joint operators and negotiations with the government and community with regards to the Hiyoshi Station Building and JR Tokyu Meguro Station Building.

1996

Assigned to Tokyu YMM Properties Co., Ltd. As sales and marketing manager, drafted and executed the tenant leasing and event space plans for Queen's Square Yokohama [at!]. Also as manager of general affairs, negotiated lease terms with the owner and conducted crisis management, budget management and relationship with arcade association tasks.

1999

As a member of the Tokyu Corporation's Group Business Office, conducted management consolidation of Tokyu Group companies and the transfer of their operations, and the planning and decision making support for the acquisition of companies.

2002

Assigned Executive Officer and Asset Transaction Officer of Tokyu Real Estate Investment Management Inc.

Portfolio



Yokohama Yamashita-cho Building
(Barneys New York Yokohama Store) (p. 25)



QFRONT (p. 23)



Fujita Kanko Toranomom Building (p. 29)



PICASSO347 (p. 25)

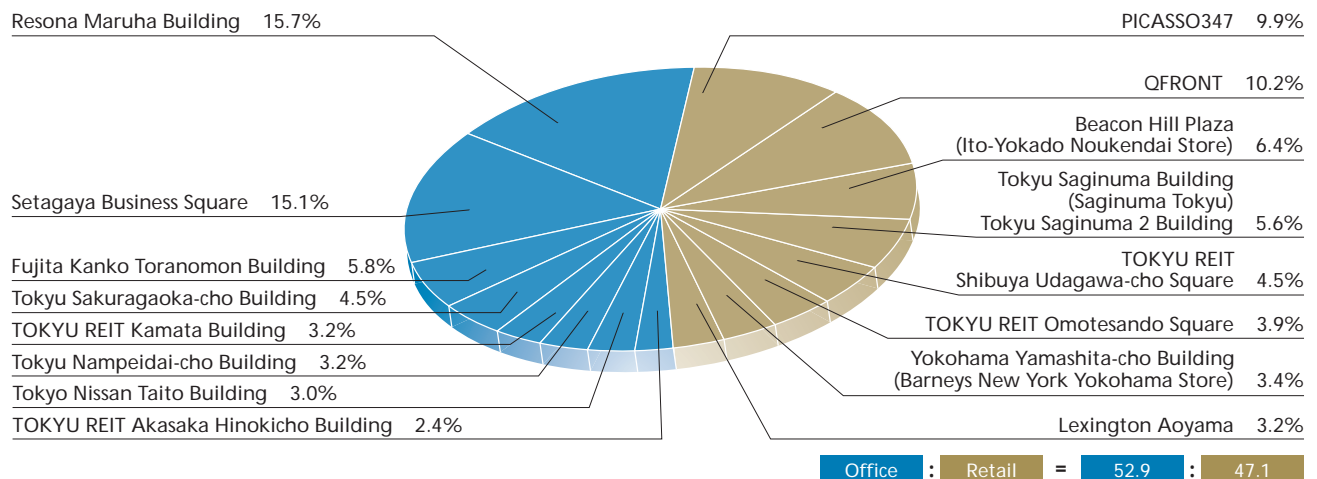
Investment Trends

TOKYU REIT observes strict selection criteria in its acquisition of investment properties. TOKYU REIT focuses on highly competitive office and retail properties located in major metropolitan areas.

TOKYU REIT has also identified an investment portfolio target of ¥200 billion by the end of the seventh fiscal period (the fiscal period ending January 31, 2007). Since its public listing in September 2003, TOKYU REIT has steadily increased its investment portfolio.

In its focus on investment in office and retail properties, TOKYU REIT strives to maintain a ratio of 60% investment in office buildings and 40% investment in retail properties, over the long-term. As of the end of the fourth fiscal period, the ratio of office and retail property investment stood at 52.9% and 47.1%, respectively.

Portfolio at End of 4th Fiscal Period: 17 Properties



Represents office buildings and Retail properties. Several properties have been combined and totaled in the case of some properties.

Portfolio Overview

(As of July 31, 2005)

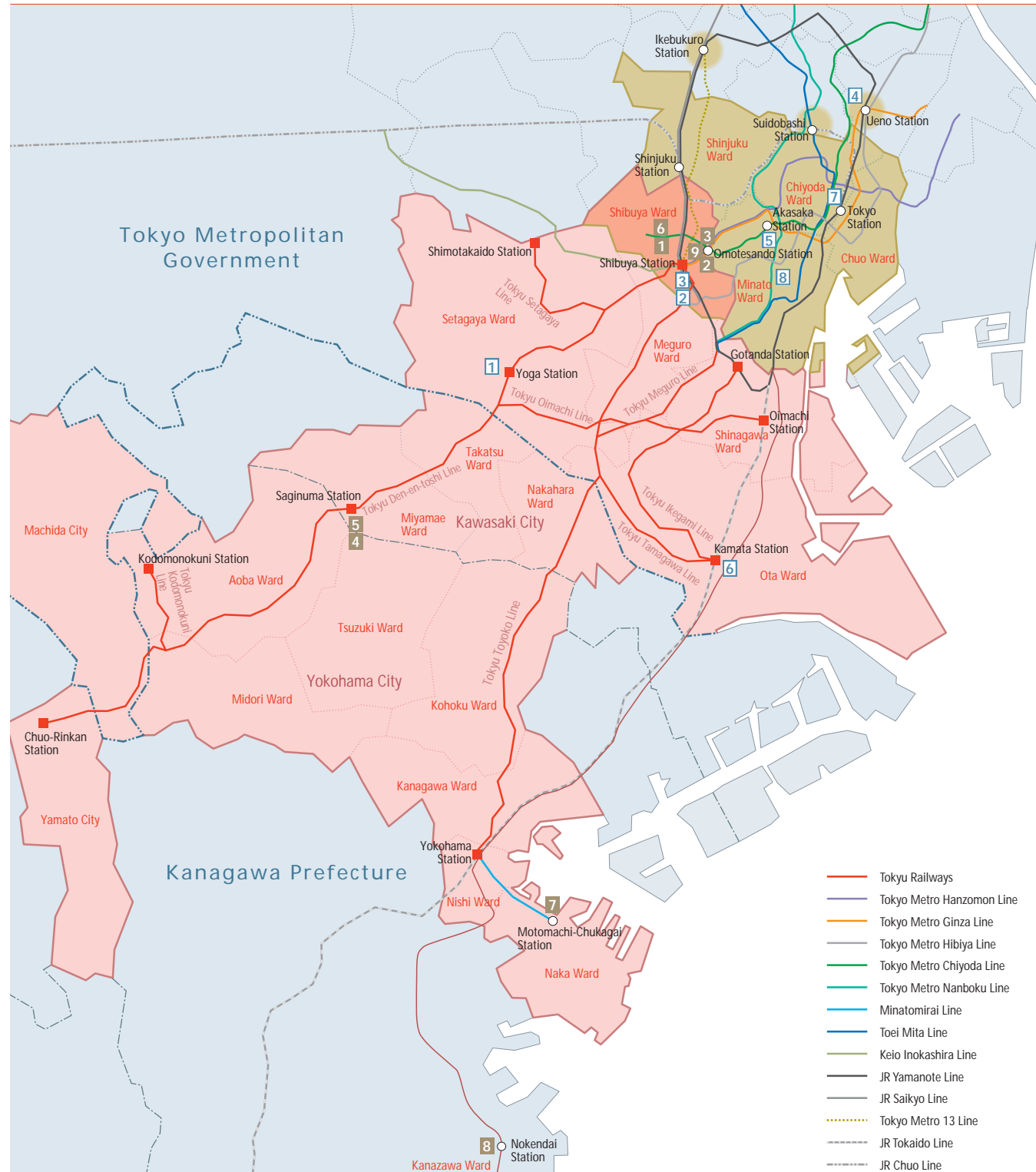
Property Number	Name of Property	Location	Total Land Area (m ²)	Total Floor Area (m ²)	Structure/Floors	Completion	Type of Ownership	
							Land	Building
1	QFRONT	Udagawa-cho, Shibuya-ku, Tokyo	784.26 (Compartmentalized ownership 728.30)	6,692.14 (Compartmentalized ownership 4,821.09)	SRC/S, B3/8F	Oct. 1999	Proprietary ownership	Compartmentalized ownership
2	Lexington Aoyama	Minami-Aoyama, Minato-ku, Tokyo	776.59	2,342.21	S/RC, B1/4F	Jan. 1998	Proprietary ownership	Proprietary ownership
3	TOKYU REIT Omotesando Square	Jingumae, Shibuya-ku, Tokyo	1,259.21	3,321.20	S/SRC, B1/4F	Oct. 1985	Proprietary ownership	Proprietary ownership
4	Tokyu Saginuma Building	Saginuma, Miyamae-ku, Kawasaki City, Kanagawa	5,658.00	18,320.87	RC, B1/4F	Sep. 1978	Proprietary ownership	Proprietary ownership
5	Tokyu Saginuma 2 Building	Kodai, Miyamae-ku, Kawasaki City, Kanagawa	1,807.21	4,409.50	SRC, B2/4F	Oct. 1979	Proprietary ownership	Proprietary ownership
6	TOKYU REIT Shibuya Udagawa-cho Square	Udagawa-cho, Shibuya-ku, Tokyo	679.27	(Bldg. 1) 1,473.10 (Bldg. 2) 56.39	S, 3F S, 2F	Jul. 1998 Jun. 1995	Proprietary ownership Proprietary ownership	Proprietary ownership Proprietary ownership
7	Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)	Yamashita-cho, Naka-ku, Yokohama City, Kanagawa	1,350.57	8,583.54	SRC, B2/7F	Jul. 1993	Proprietary ownership	Proprietary ownership
8	Beacon Hill Plaza (Ito-Yokado Noukendai Store)	Noukendai-Higashi, Kanazawa-ku, Yokohama City, Kanagawa	17,318.78	46,587.87	SRC, B2/4F	Jun. 1998	Proprietary ownership	Proprietary ownership
9	PICASSO347	Shibuya, Shibuya-ku, Tokyo	1,705.35	11,847.87	S/SRC, B2/12F	Sep. 2004	Quasi-co-ownership (60% trust beneficiary interest)	Quasi-co-ownership (60% trust beneficiary interest)
1	Setagaya Business Square	Yoga, Setagaya-ku, Tokyo	21,315.68	94,373.72	SRC/RC/S, B2/28F	Sep. 1993	Co-ownership (55% interest)	Co-ownership (55% interest)
2	Tokyu Nampocho Building	Nampocho, Shibuya-ku, Tokyo	2,013.28	7,003.88	SRC, B2/5F	Jul. 1992	Proprietary ownership	Proprietary ownership
3	Tokyu Sakuragaoka-cho Building	Sakuragaoka-cho, Shibuya-ku, Tokyo	1,013.03	6,505.39	SRC, B3/9F	Jun. 1987	Proprietary ownership	Compartmentalized ownership
4	Tokyo Nissan Taito Building	Moto-Asakusa, Taito-ku, Tokyo	1,718.45	11,373.20	SRC, B2/10F	Sep. 1992	Proprietary ownership	Proprietary ownership
5	TOKYU REIT Akasaka Hinokicho Building	Akasaka, Minato-ku, Tokyo	866.61	4,058.92	RC, 7F	Aug. 1984	Proprietary ownership	Proprietary ownership
6	TOKYU REIT Kamata Building	Kamata, Ota-ku, Tokyo	1,642.86	10,244.51	S/SRC, B1/9F	Feb. 1992	Proprietary ownership	Proprietary ownership
7	Resona Maruha Building	Otemachi, Chiyoda-ku, Tokyo	6,893.71	74,379.30 (Compartmentalized ownership 19,542.77)	S/SRC, B4/25F	Nov. 1978	Co-ownership (27% interest)	Compartmentalized ownership
8	Fujita Kanko Toranomon Building	Toranomon, Minato-ku, Tokyo	1,728.38	15,343.73 (9,688.59)	SRC-RC B2/9F	Apr. 1985	Co-ownership of the right to use the underlying building site (73.585%)	Compartmentalized ownership and co-ownership of compartmentalized ownership

Property Number	Name of Property	Area	Acquisition Costs (Millions of Yen)	Acquisition Date	Number of Tenants	Occupancy Ratio	Earthquake PML*
1	QFRONT	Central Tokyo and Tokyu areas (Shibuya)	15,100	Sep. 10, 2003	4	100.0%	6.7%
2	Lexington Aoyama	Central Tokyo	4,800	Sep. 11, 2003	2	100.0%	5.0%
3	TOKYU REIT Omotesando Square	Central Tokyo and Tokyu areas (Shibuya)	5,770	Sep. 10, 2003	4	100.0%	11.3%
4	Tokyu Saginuma Building	Tokyu areas	6,920	Sep. 10, 2003	1	100.0%	12.3%
5	Tokyu Saginuma 2 Building	Tokyu areas	1,290	Sep. 11, 2003	1	100.0%	12.1%
6	TOKYU REIT Shibuya Udagawa-cho Square	Central Tokyo and Tokyu areas (Shibuya)	6,600	Mar. 1, 2004	2	100.0%	15.8%
7	Yokohama Yamashita-Cho Building (Barneys New York Yokohama Store)	Tokyu Areas	5,050	Aug. 3, 2004	1	100.0%	9.3%
8	Beacon Hill Plaza (Ito-Yokado Noukendai Store)	Other	9,520	Aug. 3, 2004	1	100.0%	9.8%
9	PICASSO347	Central Tokyo and Tokyu areas (Shibuya)	14,700	Apr. 6, 2005	14	100.0%	11.4%
1	Setagaya Business Square	Tokyu areas	22,400	Sep. 11, 2003	54	97.0%	5.6%
2	Tokyu Nampocho Building	Central Tokyo and Tokyu areas (Shibuya)	4,660	Sep. 11, 2003	1	100.0%	12.8%
3	Tokyu Sakuragaoka-cho Building	Central Tokyo and Tokyu areas (Shibuya)	6,620	Sep. 11, 2003	2	100.0%	13.9%
4	Tokyo Nissan Taito Building	Central Tokyo	4,450	Sep. 11, 2003	12	98.0%	10.6%
5	TOKYU REIT Akasaka Hinokicho Building	Central Tokyo	3,570	Sep. 10, 2003	5	100.0%	12.6%
6	TOKYU REIT Kamata Building	Tokyu areas	4,720	Sep. 10, 2003	5	100.0%	11.0%
7	Resona Maruha Building	Central Tokyo	23,260	Jan. 15, 2004	3	100.0%	7.7%
8	Fujita Kanko Toranomon Building	Central Tokyo	8,630	Dec. 15, 2004	6	93.3%	9.2%
	Total		148,060		125	99.1%	6.0%

Note: PML (Probable Maximum Loss) refers to the expected maximum loss ratio caused by earthquakes. As used in these documents PML is the percentage of expected loss due to small- to large-level earthquakes (those statistically calculated as possible over a 475 year period) that occur during an assumed period for the economic life of a building, to procurement cost for restoring expected damage. Calculations incorporate data relating to individual property survey, assessment of building conditions, conformity to architectural design, surveys of local areas and structural evaluation.

Damages in this instance refer to property damage and do not include secondary damages such as loss of life and damages to fixtures. In addition, damages are limited to structural damage and damages to facilities and building interior and exterior, and do not cover damages caused by earthquake fire and fire damage from surrounding facilities.

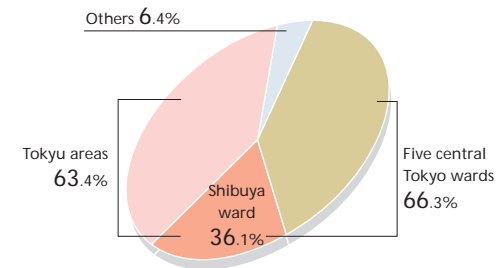
Major Investment Targeted Areas



- Tokyu Railways
- Tokyo Metro Hanzomon Line
- Tokyo Metro Ginza Line
- Tokyo Metro Hibiya Line
- Tokyo Metro Chiyoda Line
- Tokyo Metro Nanboku Line
- Minatomirai Line
- Toei Mita Line
- Keio Inokashira Line
- JR Yamanote Line
- JR Saikyo Line
- Tokyo Metro 13 Line
- JR Tokaido Line
- JR Chuo Line



Investment Ratio by Region (17 properties as of the end of fourth fiscal period)



Retail

- QFRONT
- Lexington Aoyama
- TOKYU REIT Omotesando Square
- Tokyu Saginuma Building
- Tokyu Saginuma 2 Building
- TOKYU REIT Shibuya Udagawa-cho Square
- Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)
- Beacon Hill Plaza (Ito-Yokado Noukendai Store)
- PICASSO347

Office

- Setagaya Business Square
- Tokyu Nampeidai-cho Building
- Tokyu Sakuragaoka-cho Building
- Tokyu Nissan Taito Building
- TOKYU REIT Akasaka Hinokicho Building
- TOKYU REIT Kamata Building
- Resona Maruha Building
- Fujita Kanko Toranomon Building

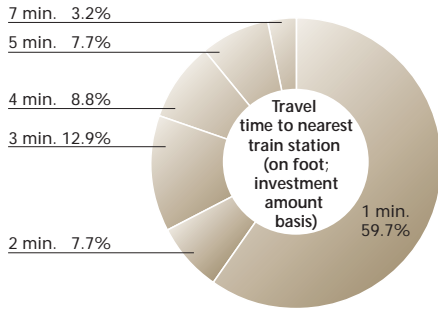
Tokyu REIT invests primarily in properties in central Tokyo and the areas along the Tokyu railways. It does not invest outside of the Tokyo Metropolitan Area.

Area	Targeted Areas of Investment	Investment Share
Central Tokyo	Five central Tokyo wards	More than 85%
	Other major commercial and retail districts of Tokyo	
Tokyu Areas	Tokyu Rail network hub	More than 85%
	Other Tokyu rail network areas	
Other	Other districts in the Tokyo Metropolitan Area, including Kanagawa, Saitama and Chiba prefectures (excluding the separately mentioned areas above)	Less than 15%

Note: Shibuya Ward is included in both the Five central Tokyo wards and the Tokyu Areas.

In the acquisition of investment properties, TOKYU REIT considers a variety of factors, including a comprehensive analysis of forecasted revenue stream, growth potential of the area, property size, construction and facility specifications, earthquake resistance, leasing rights, occupancy and appeal to tenants, property management, the environment and foundation quality, and the property's competitiveness.

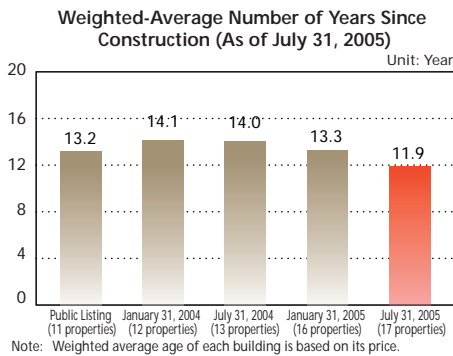
Location



Properties conveniently located near train stations increase the stability of TOKYU REIT's portfolio. In principal, TOKYU REIT only considers properties located within seven minutes walking distance to the nearest train station. TOKYU REIT decides to invest in retail properties based on a comprehensive analysis of the surrounding business area.

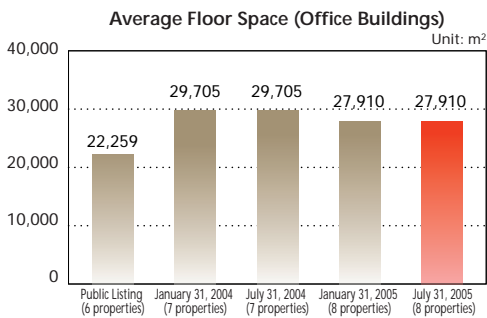
As of the end of the fourth fiscal period, approximately 80% (investment amount basis) of TOKYU REIT's properties were located within about three minutes of the nearest train station.

Investment Property Age

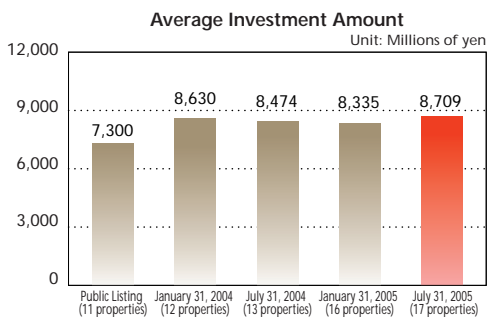


The graph on the left shows the weighted-average age of buildings (based on building price) from when TOKYU REIT listed on the Tokyo Stock Exchange to the end of July 2005. Based on the weighted-average age, TOKYU REIT's portfolio consists of relatively new properties that were constructed on average in 1993.

Investment Property Size



In principle, TOKYU REIT invests in office buildings with a total floor space exceeding 5,000m² and office buildings with compartmentalized ownership of 330m² or more of proprietary floor space per standard floor. Office buildings owned by TOKYU REIT have an average floor space of approximately 27,910m².



In principle, TOKYU REIT invests a minimum of ¥4 billion in each property, excluding taxes and acquisition expenses.

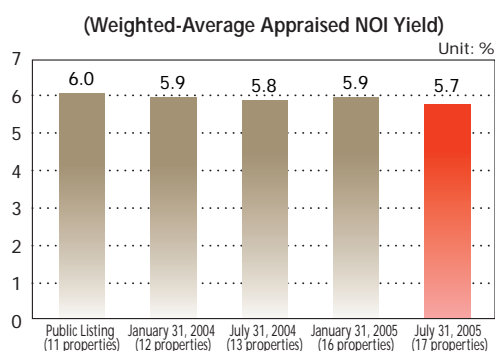
As of the end of the fourth fiscal period, TOKYU REIT had invested an average of ¥8,709 billion per property. TOKYU REIT intends to continue investing in mainly large-scale properties.

Top 10 Tenants by Leased Area

Top 10 Tenants by Leased Area

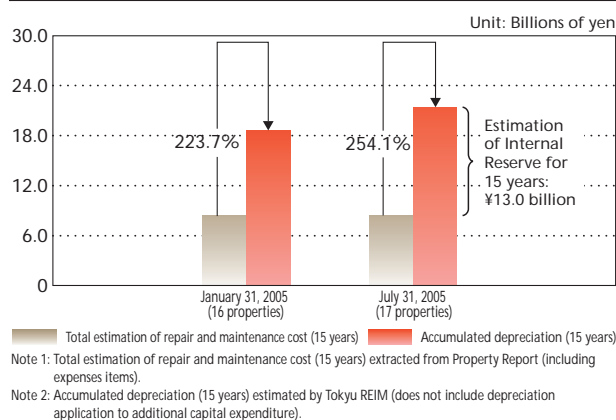
No.	Tenant Name	Business Category	Property Name	Leased Area (m ²)	Ratio
1	Ito-Yokado Co., Ltd.	Retail	8 Beacon Hill Plaza (Ito-Yokado Noukendai Store)	50,285.89	28.9%
2	Tokyu Store Chain Co., Ltd.	Retail	4 Tokyu Saginuma Building	19,610.06	11.3%
3	Maruha Corporation	Marine and Forestry	7 Resona Maruha Building	11,097.27	6.4%
4	Tokyu Corporation	Land Transport	2 Tokyu Nampocho Building	7,148.18	4.1%
			3 Tokyu Sakuragaoka-cho Building	3,878.36	2.2%
5	Isetan Co., Ltd.	Retail	7 Yokohama Yamashita-cho Building	8,958.70	5.1%
6	Japan Nuclear Safety Organization	Other	8 Fujita Kanko Toranomom Building	5,914.00	3.4%
7	Sun Microsystems K.K.	IT	1 Setagaya Business Square	5,800.76	3.3%
8	ITOCHEU TECHNO-SCIENCE Corporation	IT	6 TOKYU REIT Kamata Building	4,253.55	2.4%
9	Tsutaya Stores Tokyo Co., Ltd.	Service	1 QFRONT	3,556.31	2.0%
			1 Setagaya Business Square	206.13	0.1%
10	Tonichi Carlife Group Inc.	Retail	4 Tokyo Nissan Taito Building	3,055.85	1.8%
Total leased area of top 10 tenants				123,765.07	71.0%
Total leased area of 17 properties at the end of fourth fiscal period				174,200.69	100.0%

Portfolio Cap Rate



TOKYU REIT has acquired some properties after listing, and as of the end of the fourth fiscal period, the weighted-average appraised NOI yield fell to 5.7%. A low appraised NOI yield is considered an indicator of reduced risk of a decrease in future earnings. TOKYU REIT will continue efforts to build a portfolio with low risks and stable returns in the future.

Coverage Ratio by Depreciation of Repair and Maintenance Cost Estimation



Buildings require repairs as they age. Even after recording items such as depreciation on financial statements, funds used for other intangible expenses must be replenished with additional borrowings on occasion.

As of the end of the fourth fiscal period and over the next fifteen years, cumulative depreciation for the portfolio (seventeen properties) will significantly exceed total repair and maintenance cost, for a coverage ratio of 254.1%. This figure shows that TOKYU REIT has secured the funds necessary for projected repair and maintenance cost.



PICASSO347: See Page 25

Retail Properties

OFRONT

Lexington Aoyama

TOKYU REIT Omotesando Square

Tokyu Saginuma Building

Tokyu Saginuma 2 Building

TOKYU REIT

Shibuya Udagawa-cho Square

Yokohama Yamashita-cho Building
(Barneys New York Yokohama Store)

Beacon Hill Plaza
(Ito-Yokado Noukendai Store)

PICASSO347



R E T A I L P O R T F O L I O

The most attractive feature of TOKYU REIT's retail portfolio is the prime location of each of its properties. Adhering to strict criteria in the selection of investment properties, TOKYU REIT has maintained a retail portfolio with an extremely high occupancy ratio since it listed on the stock market.

At the end of the fourth fiscal period, TOKYU REIT's retail portfolio comprised a total of nine properties, with the acquisition of the PICASSO347 at Shibuya-ku, Tokyo. TOKYU REIT's retail properties have a total acquisition price of ¥69.75 billion and total floor space of 103,634.69m². In the fourth fiscal period, revenues from property leasing totaled ¥2.27 billion, NOI was ¥1.73 billion, operating income from property leasing was ¥1.34 billion, and the weighted-average NOI yield was 5.4%.

The most attractive feature of TOKYU REIT's retail portfolio is the prime location of each of its properties near train stations in high-growth potential retail areas, including Shibuya, Omotesando, Saginuma and Yokohama. Even in the event that a tenant vacates, TOKYU REIT's portfolio consists of retail properties that quickly entice new tenants to enter leasing contracts. As of July 31, 2005, an occupancy ratio of 100% indicates the strength of our portfolio.

TOKYU REIT will continue to aggressively yet prudently acquire competitive properties that meet its strict investment criteria. From this approach, TOKYU REIT aims to build a retail portfolio that contributes to maximizing unitholder return over the medium- and long-term.

1 QFRONT

QFRONT is a retail property located directly across from Shibuya Station an area identified as one of Japan's busiest retail districts. The main tenant is Tsutaya Stores Tokyo Co., Ltd., a large rental and retail store of videos and CDs. QFRONT contains a coffee shop located on the first and second floors, a movie theater on the seventh floor and a variety of restaurants located on the eighth floor. The building is one of Tokyo's premier retail facilities distinguished by the large LED advertising screen which adorns the outside wall, and has received considerable exposure from a variety of media.



Address: 21-6, Udagawa-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Shibuya Station—JR Yamanote line/ Tokyo Toyoko line/ Tokyo Den-en-toshi line/ Keio Inokashira line/ Tokyo Metro Hanzomon and Ginza lines
 Total Land Space: 784.26m²
 Total Floor Space: 6,692.14m²
 Structure/Floors: SRC/S, B3/8F
 Completed: October, 1999
 Type of Ownership: Land—Proprietary ownership
 Building—Compartmentalized ownership
 Representative Tenants: Tsutaya Stores Tokyo Co., Ltd.; Tokyu Corporation; Punraku Co., Ltd.



2 Lexington Aoyama

Lexington Aoyama is a retail property along Kotto-dori in the Aoyama district. Main tenants include the specialist apparel company World Co., Ltd., with a long-term lease agreement through 2009, and Unimat Offisco Corporation (LE CAFÉ BLEU), a restaurant operator. Like Omotesando, Kotto-dori offers a high status location in the Aoyama district, attracting the world's leading fashion brands.



Address: 5-11-9, Minami-Aoyama, Minato-ku, Tokyo
 Nearest Station: Approximately a five-minute walk from Omotesando Station—Tokyo Metro Chiyoda, Ginza and Hanzomon lines
 Total Land Space: 776.59m²
 Total Floor Space: 2,342.21m²
 Structure/Floors: S/R/C, B1/4F
 Completed: January, 1998
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenants: World Co., Ltd.; Unimat Offisco Corporation



3 TOKYU REIT Omotesando Square

TOKYU REIT Omotesando Square is a multi-faceted retail property located in Shibuya-ku within one minute's walk of Omotesando Station. The complex contains Barbacoa Grill, offering Churrasco Brazilian barbecue food operated by Wondertable, Ltd. on the first underground floor, and Royal Host, a restaurant managed by Royal Holdings Co., Ltd. on the first floor. On floors one through three, there is the GOLD'S GYM sports gymnasium, operated by Think Co., Ltd., and on the fourth floor, a beauty parlor, to neutral, operated by Acqua Artistic Association.



Address: 4-3-2, Jingumae, Shibuya-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Omotesando Station—Tokyo Metro Chiyoda, Ginza and Hanzomon lines
 Total Land Space: 1,259.21m²
 Total Floor Space: 3,321.20m²
 Structure/Floors: S/SRC, B1/4F
 Completed: October, 1985
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: Think Co., Ltd.; Royal Holdings Co., Ltd.; Wondertable, Ltd.



4 Tokyu Saginuma Building

Tokyu Saginuma Building is located in Miyamae-ku, Kawasaki city, approximately 15 kilometers southwest of Shibuya. The area is a residential suburb of Tokyo with a growing population, increasing number of households and high growth potential. The entire building is leased to Tokyu Store Corporation, which uses the property as an outlet of its general merchandise store Saginuma Tokyu.



Address: 1-1-1, Saginuma, Miyamae-ku, Kawasaki City, Kanagawa
 Nearest Station: Approximately a one-minute walk from Saginuma Station—Tokyu Den-en-toshi line
 Total Land Space: 5,658.00m²
 Total Floor Space: 18,320.87m²
 Structure/Floors: RC, B1/4F
 Completed: September, 1978
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: Tokyu Store Chain Co., Ltd.



5 Tokyu Saginuma 2 Building

Tokyu Saginuma 2 Building was acquired to serve partly as a parking facility for the Tokyu Saginuma Building. Under the Large Retail Store Location Law, Tokyu Store Corporation is required to provide 84 car parking spaces for customers of Saginuma Tokyu Chain. The building comprises three floors (the first to third floors) leased to a bank and three underground floors used as a parking facility.



Address: 1-18-5, Kodai, Miyamae-ku, Kawasaki City, Kanagawa
 Nearest Station: Approximately a one-minute walk from Saginuma Station—Tokyu Den-en-toshi line
 Total Land Space: 1,807.21m²
 Total Floor Space: 4,409.50m²
 Structure/Floors: SRC, B2/4F
 Completed: October, 1979
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenant: UFJ Bank Limited



6 TOKYU REIT Shibuya Udagawa-cho Square

TOKYU REIT Shibuya Udagawa-cho Square is located in the central area of Shibuya, one of Tokyo's main retail and commercial districts, and faces the major retail thoroughfares Inokashira-dori and Shibuya Center-gai. Comprising two buildings, ZARA, a Spain-based retailer of casual clothing, is the principal tenant of Building 1. ZARA boasts a global network of 771 stores in 56 countries (August 2005). The restaurant Tsukiji Gindaco, operated by HotLand Corporation, is located in Building 2.



Address: [Bldg.1] 25-10 Udagawa-cho, Shibuya-ku, Tokyo
 [Bldg.2] 25-5 Udagawa-cho, Shibuya-ku, Tokyo
 Nearest Station: Approximately a two-minute walk from Shibuya Station—JR Yamanote line/Tokyo Toyoko line/Tokyu Den-en-toshi line/Keio Inokashira line/Tokyo Metro Hanzomon and Ginza lines
 Total Land Space: 679.27m²
 Total Floor Space: [Bldg.1] 1,473.10m²
 [Bldg.2] 56.39m²
 Structure/Floors: [Bldg.1] S, 3F
 [Bldg.2] S, 2F
 Completed: [Bldg.1] July, 1998
 [Bldg.2] June, 1995
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Tenants: ZARA Japan Corporation; HotLand Corporation



7 Yokohama Yamashita-cho Building (Barneys New York Yokohama Store)

The sole long-term leaseholder of Yokohama Yamashita-cho Building (Barneys New York Yokohama Store) is Isetan Company Limited, whose wholly owned subsidiary Barneys Japan Co., Ltd. operates under a sublease. The latter operates a Barneys New York store on the property that, since it opened for business as a select fashion store, has been acknowledged as representing the pinnacle among specialist stores of its kind in Japan. The property also contains two restaurants and a hair salon (mod's hair).



Address: Yamashita-cho 36-1, Naka-ku, Yokohama City, Kanagawa

Nearest Station: Approximately a one-minute walk from Motomachi-Chukagai Station-Yokohama Minatomirai line

Total Land Space: 1,350.57m²

Total Floor Space: 8,583.54m²

Structure/Floors: SRC, B2/7F

Completed: July, 1993

Type of Ownership: Land—Proprietary ownership
Building—Proprietary ownership

Tenants: Isetan Company Limited



8 Beacon Hill Plaza (Ito-Yokado Noukendai Store)

The sole tenant of Beacon Hill Plaza, Ito-Yokado Noukendai Store is a large-scale General Merchandise Store (GMS) with 7,000 *tsubo* (a *tsubo* is Japan's former unit of area and is equivalent to 3.3 m²) of shopping space and provides space for approximately 900 vehicles in its parking garage on the premises. The property is not situated in a major investment area, but was judged to be excellent for its location in a retail and commercial district that is expected to bring stable growth.



Address: Noukendai-Higashi 3-1, Kanazawa-ku, Yokohama City, Kanagawa

Nearest Station: Approximately a four-minute walk from Noukendai Station-Keihin Kyuko line

Total Land Space: 17,318.78m²

Total Floor Space: 46,587.87m²

Structure/Floors: SRC, B2/4F

Completed: June, 1998

Type of Ownership: Land—Proprietary ownership
Building—Proprietary ownership

Tenants: Ito-Yokado Co., Ltd.



9 PICASSO347

PICASSO347 is approximately a three-minute walk from Shibuya Station and faces Meiji Dori. The property is surrounded by casual brand stores and lies on the outskirts of an area known as "Ura Harajuku." This property's tenants are comprised of brand shops, cafes, sports gyms, and other outlets. Access is expected to improve, with the 2007 opening of the Tokyo Metro 13 Line and the planned direct link of the Tokyo Metro 13 Line and Tokyu Toyoko Line in 2012 giving the property an even better location than it has today.



Address: 1-23-16 Shibuya, Shibuya-ku, Tokyo

Nearest Station: Approximately a three-minute walk from Shibuya Station

(JR Yamanote line, Tokyu lines, Keio Inokashira line, Tokyo Metro lines)

Total Land Space: 1,705.35m²

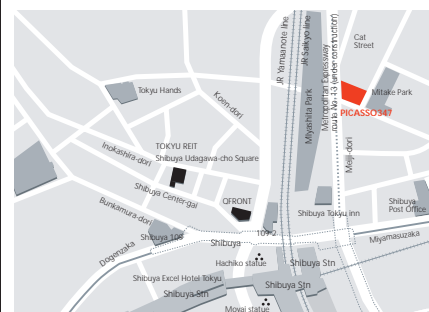
Total Floor Space: 11,847.87m²

Structure/Floors: S/SRC, B2/12F

Completed: September, 2004

Type of Ownership: Land—Proprietary ownership
Building—Proprietary ownership

Representative Tenants: TOMORROWLAND Co., Ltd., CASSINA IXC Ltd, Roc's.



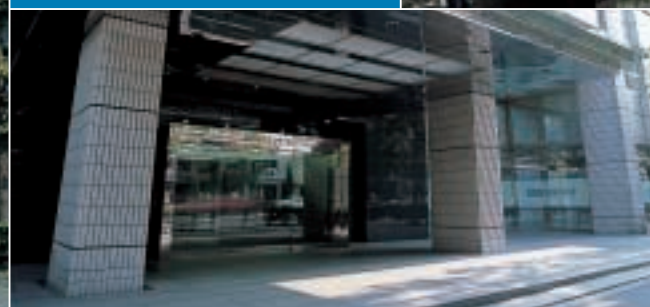


Office Properties




- Setagaya Business Square
- Tokyu Nampeidai-cho Building
- Tokyu Sakuragaoka-cho Building
- Tokyo Nissan Taito Building
- TOKYU REIT Akasaka Hinokicho Building
- TOKYU REIT Kamata Building
- Resona Maruha Building
- Fujita Kanko Toranomom Building

Fujita Kanko Toranomom Building: See Page 29



O F F I C E P O R T F O L I O

“Stability” is the defining feature of TOKYU REIT’s office portfolio. TOKYU REIT’s goal is to secure a stable earnings platform by adhering to strict property acquisition criteria, securing long-term leasing agreements, and attracting tenants through active marketing.

TOKYU REIT’s office portfolio comprised a total of eight buildings as of July 31, 2005. During the fourth fiscal period, TOKYU REIT’s office properties have a total acquisition price of ¥78.31 billion and total floor space of 223,282.65m². Revenues from property leasing reached ¥3.41 billion, NOI was ¥2.11 billion, operating income from property leasing activities totaled ¥1.57 billion and the weighted-average NOI yield was 5.4% for the fiscal period under review.

A number of factors make up TOKYU REIT’s real estate investment criteria, including the concentration of office buildings, local rental market conditions, the centrality of the nearest train station and the proximity of the property to the nearest train station in those areas earmarked for investment. In principle, TOKYU REIT will invest in large-scale properties that feature a high degree of convenience. TOKYU REIT will look toward office buildings with an acquisition price of a minimum ¥4.0 billion, total floor space exceeding 5,000m², and individual floor space in excess of 300m².

At the end of the fourth fiscal period, approximately one-fifth of the office portfolio’s total leasable floor space was subject to lease agreements with an expiry date exceeding five years. TOKYU REIT recognizes the critical requirement for long-term (anchor) leasing contracts.

TOKYU REIT is also active in the promotion of leasing activities, well after property acquisition. As of July 31, 2005, the occupancy ratio of the office portfolio reached 98.0%.

TOKYU REIT strives to further enhance earnings stability by investing in prime large-scale properties, securing long-term lease agreements, and actively promoting leasing activities.

1 Setagaya Business Square

Setagaya Business Square is a large complex situated above Yoga Station on the Tokyu Den-en-toshi Line, consisting of a 28-story high-rise connected to the station, four mid-size office towers, two terraces with commercial facilities and a community center. The sight is a high-traffic area, with good road access (National road No.246, Kampachi-dori and the Yoga interchange on Metropolitan Expressway Route No.3) as well as rail (Yoga Station, approximately 12 minutes to Shibuya Station and 27 minutes to Otemachi Station).



Address: 4-10-1,2,3,4,5,6, Yoga, Setagaya-ku, Tokyo
Nearest Station: Approximately a one-minute walk from Yoga Station—Tokyu Den-en-toshi Line

Total Land Space: 21,315.68m²

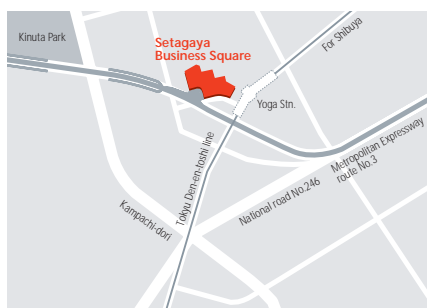
Total Floor Space: 94,373.72m²

Structure/Floors: SRC/RC/S, B2/28F

Completed: September, 1993

Type of Ownership: Land—Co-ownership (55% interest)
Building—Co-ownership (55% interest)

Representative Tenants: Sun Microsystems K.K.; Tokyu Community Co., Ltd.; Oracle Corporation Japan



2 Tokyu Nampeidai-cho Building

Tokyu Nampeidai-cho Building is a five-story office building located in Shibuya Ward, which Tokyu Corporation uses as its head office. A fixed-term lease contract is in effect until December 2012, contributing to earnings stability.



Address: 5-6, Nampeidai-cho, Shibuya-ku, Tokyo
Nearest Station: Approximately a seven-minute walk from Shibuya Station—JR Yamanote line/ Tokyu Toyoko line/ Tokyu Den-en-toshi line/ Keio Inokashira line/ Tokyo Metro Hanzomon and Ginza lines

Total Land Space: 2,013.28m²

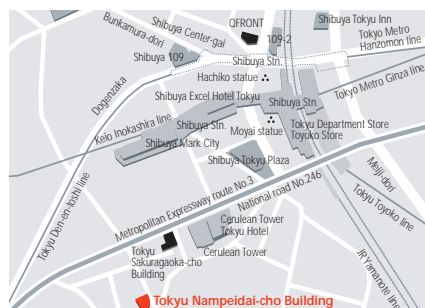
Total Floor Space: 7,003.88m²

Structure/Floors: SRC, B2/5F

Completed: July, 1992

Type of Ownership: Land—Proprietary ownership
Building—Proprietary ownership

Tenant: Tokyu Corporation



3 Tokyu Sakuragaoka-cho Building

Tokyu Sakuragaoka-cho Building is a nine-story office building located in Shibuya Ward, mostly occupied by Tokyu Corporation, which the operating division uses as its head office. A fixed-term lease contract is in effect until December 2011, contributing to earnings stability.



Address: 31-2, Sakuragaoka-cho, Shibuya-ku, Tokyo
Nearest Station: Approximately a five-minute walk from Shibuya Station—JR Yamanote line/ Tokyu Toyoko line/ Tokyu Den-en-toshi line/ Keio Inokashira line/ Tokyo Metro Hanzomon and Ginza lines

Total Land Space: 1,013.03m²

Total Floor Space: 6,505.39m²

Structure/Floors: SRC, B3/9F

Completed: June, 1987

Type of Ownership: Land—Proprietary ownership
Building—Compartmentalized ownership

Tenants: Tokyu Corporation; The Tokyo Electric Power Company, Incorporated



4 Tokyo Nissan Taito Building

Tokyo Nissan Taito Building is a ten-story office building situated along Kiyosubashi-dori. The convenience of the location grew even further with the Shin-Okachimachi Station on the TSUKUBA EXPRESS line of the Metropolitan Intercity Railway Company opening in August 2005 only about a four-minute walk away. A fixed-term lease contract for the first two floors and the underground parking area is in place with the principal tenant, Tonichi Carlife Group Inc., contributing to earnings stability.



Address: 2-6-6, Moto-Asakusa, Taito-ku, Tokyo
 Nearest Station: Approximately a three-minute walk from Inari-cho Station—Tokyo Metro Ginza line, a four-minute walk from Shin-Okachi-machi Station—Toei Oedo line, and a ten-minute walk from Ueno Station—JR Yamanote line

Total Land Space: 1,718.45m²
 Total Floor Space: 11,373.20m²
 Structure/Floors: SRC, B2/10F
 Completed: September, 1992
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: Tonichi Carlife Group Inc.; Ataka Construction & Engineering Co., Ltd.; Miyachi Corporation



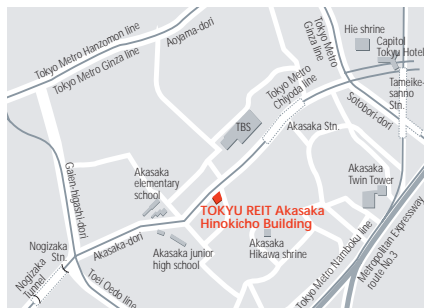
5 TOKYU REIT Akasaka Hinokicho Building

TOKYU REIT Akasaka Hinokicho Building is a seven-story office building situated along Akasaka-dori. The multiple large office buildings and multi-faceted retail properties in the area and the large redevelopments of Tokyo Midtown (tentative name) and the Akasaka 5-Chome TBS Plan (tentative name) will enliven the town 24/7 giving the building even greater potential.



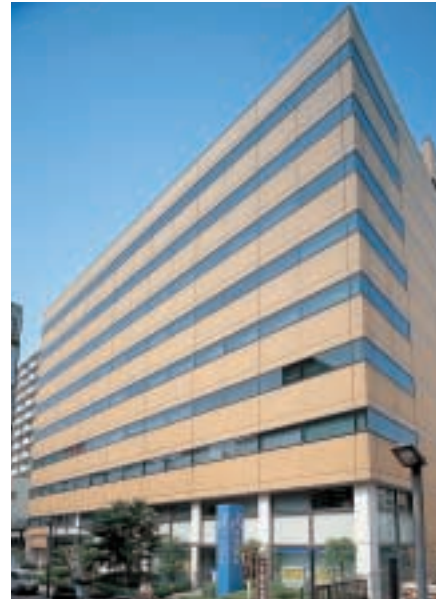
Address: 6-14-15, Akasaka, Minato-ku, Tokyo
 Nearest Station: Approximately a four-minute walk from Akasaka Station—Tokyo Metro Chiyoda line

Total Land Space: 866.61m²
 Total Floor Space: 4,058.92m²
 Structure/Floors: RC, 7F
 Completed: August, 1984
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: O-TEC, Inc.; Roadway Development and Reconstruction Association; Rome Tile Japan Co., Ltd.;



6 TOKYU REIT Kamata Building

TOKYU REIT Kamata Building is a nine-story office building adjacent to the Ota City Office. Kamata is an area in the center of Ota-ku, the third most populous district in Tokyo, while Kamata Station is a convenient terminal served by two Tokyo railway lines and one JR line. A proposed railway link between the Tokyo Tamagawa Line and the Keikyu Airport Line enhances the possibility that the area will become even more convenient in the future. (Council for Transport Policy Report No. 18)



Address: 5-13-23, Kamata, Ota-ku, Tokyo
 Nearest Station: Approximately a two-minute walk from Kamata Station—Tokyu Ikegami line/ Tokyo Tamagawa line/ JR Keihin Tohoku line.

Total Land Space: 1,642.86m²
 Total Floor Space: 10,244.51m²
 Structure/Floors: S/SRC, B1/9F
 Completed: February, 1992
 Type of Ownership: Land—Proprietary ownership
 Building—Proprietary ownership
 Representative Tenants: Itochu TECHNO-SCIENCE Corporation; Dai Nippon Toryo Co., Ltd.; NSP Limited



7 Resona Maruha Building

Resona Maruha Building is a unique office building facing Uchibori-dori in Otemachi, one of the most highly regarded office building districts in Japan. Six of the eight upper floors that TOKYU REIT acquired are leased to Maruha Corporation. As of the third fiscal period-end, one floor remained vacant. Following successful efforts to attract tenants during the fourth fiscal period, the building is currently fully tenanted.



Address: 1-1-2 Otemachi, Chiyoda-ku, Tokyo
 Nearest Station: Approximately a one-minute walk from Otemachi Station—Tokyo Metro Chiyoda, Hanzomon, Tozai and Marunouchi lines/Toei Mita line
 Total Land Space: 6,893.71m²
 Total Floor Space: 74,379.30m²
 Structure/Floors: S/SRC, B4/25F
 Completed: November, 1978
 Type of Ownership: Land—Co-ownership (27% interest), Building—Compartmentalized ownership
 Tenants: Maruha Corporation and two companies



8 Fujita Kanko Toranomon Building

Fujita Kanko Toranomon Building is a one-minute walk from Kamiyacho Station on the Tokyo Metro Hibiya line and faces National Route 1 (Sakurada-dori). Since its completion, occupancy has remained stable. The property is expected to deliver competitive advantage.



Address: 3-17-1 Toranomon, Minato-ku, Tokyo
 Nearest Station: Approx. a one-minute walk from Kamiyacho Station—Tokyo Metro Hibiya line
 Approx. a nine-minute walk from Toranomon Station—Tokyo Metro Ginza line
 Approx. a nine-minute walk from Onarimon Station—Toei Mita line
 Total Land Space: 1,728.38m²
 Total Floor Space: 15,343.73m²
 Structure/Floors: SRC/RC, B2/9F
 Completed: May, 1988
 Type of Ownership: Land — Co-ownership (73,585/100,000 interest) Building — Compartmentalized ownership and co-ownership of compartmentalized ownership
 Representative Tenants: Japan Nuclear Energy Safety Organization; Takihyo Co., Ltd.; Anzco Foods Japan Ltd.



I . Asset management report
1. Financial Highlights
(1) Result of operation and financial position

		4th fiscal period From February 1, 2005 to July 31, 2005 (181 days)	3rd fiscal period From August 1, 2004 to January 31, 2005 (184 days)	2nd fiscal period From February 1, 2004 to July 31, 2004 (182 days)	1st fiscal period From June 20, 2003 to January 31, 2004 (226 days)		
		Millions of yen, except per unit data or where otherwise indicated					
Result of operation	Statement of income	Operating revenues	¥ 5,685	¥ 5,045	¥ 4,341	¥ 2,896	
		Operating income	¥ 2,326	¥ 2,211	¥ 1,772	¥ 1,487	
		Net income	¥ 1,959	¥ 1,852	¥ 1,395	¥ 930	
	Operating income	Revenue from property leasing (a)	¥ 5,685	¥ 5,045	¥ 4,341	¥ 2,896	
		Rental service expenses (b)	¥ 2,777	¥ 2,323	¥ 2,056	¥ 1,163	
		Depreciation and amortization (included in (b)) (c) (Note 2)	¥ (928)	¥ (802)	¥ (609)	¥ (467)	
		Net Operating Income (a) - (b) + (c)	¥ 3,836	¥ 3,524	¥ 2,894	¥ 2,200	
	Cash flow	FFO (Funds from Operation) (d) (Note 3)	¥ 2,888	¥ 2,654	¥ 2,004	¥ 1,397	
		Capital expenditures (e)	¥ 143	¥ 69	¥ 388	¥ 47	
		AFFO (Adjusted Funds from Operation) (d) - (e)	¥ 2,745	¥ 2,585	¥ 1,616	¥ 1,350	
Financial position	Balance sheet	Total assets (f)	¥ 162,180	¥ 147,231	¥ 122,583	¥ 118,461	
		(Change from the preceding period)	10.2%	20.1%	(3.5%)	(-)	
		Interest-bearing liabilities (g)	¥ 64,500	¥ 50,500	¥ 60,000	¥ 56,700	
		Total unitholders' equity (Net assets) (h)	¥ 79,819	¥ 79,713	¥ 51,513	¥ 51,048	
		(Change from the preceding period)	0.1%	54.7%	(0.9%)	(-)	
		Unitholders' capital	¥ 77,860	¥ 77,860	¥ 50,118	¥ 50,118	
	Portfolio	Acquisition costs of properties (Note 4)	¥ 148,060	¥ 133,360	¥ 110,160	¥ 103,560	
		Book value of properties (Note 4)	¥ 147,819	¥ 133,415	¥ 110,449	¥ 104,002	
		Appraisal value of properties (i) (Note 4)	¥ 155,090	¥ 136,850	¥ 111,740	¥ 103,050	
		Number of properties	17	16	13	12	
		Total rentable area (Note 5)	175,776.97 m ²	170,785.00m ²	101,518.37m ²	99,784.28m ²	
		Occupancy ratio at the end of period (Note 5)	99.1%	97.5%	97.1%	95.3%	
	Other	Distribution	Cash distribution	¥ 1,959	¥ 1,852	¥ 1,395	¥ 930
			Dividend per ratio (Note 6)	99.9%	99.9%	99.9%	99.9%
		Amount per unit	Number of units	142,000 units	142,000 units	98,000 units	98,000 units
			Unitholders' equity per unit	¥ 562,109	¥ 561,356	¥ 525,634	¥ 520,891
Cash distribution per unit			¥ 13,798	¥ 13,045	¥ 14,230	¥ 9,488	
Management index		Return on total unitholders' equity (annualized) (Note 7)	5.0%	5.6%	5.5%	4.7%	
		Equity ratio (h)/(f)	49.2%	54.1%	42.0%	43.1%	
		(Change from the preceding period)	△ 4.9%	12.1%	(△ 1.1%)	(-)	
		Proportion of interest-bearing liabilities to total assets (g)/(f)	39.8%	34.3	48.9%	47.9%	
		Proportion of interest-bearing liabilities to appraisal value at the end of period (g)/(i)	41.6%	36.9%	53.7%	55.0%	
Average market price per unit (Note 8)	¥ 726,082	¥ 690,705	¥ 643,097	¥ 530,828			

- Note 1. Consumption tax is not included in operating revenues.
- Note 2. 'Depreciation and amortization' on 4th fiscal period includes Loss on disposal of property and equipment (33 millions of yen).
- Note 3. Net income + depreciation and amortization + other property related depreciation and amortization. During the 1st, 2nd, 3rd and 4th periods, other property related depreciation and amortization was not recognized.
- Note 4. 'Properties' means investment properties held in the trust in substance, which is total assets in the trust less the money held in the trust.
- Note 5. Regarding the 'Total rentable area' and 'Occupancy ratio at the end of period', please refer to 3. Portfolio profile (2) Major portfolio Notes 2 and 3.
- Note 6. Figures are rounded down to the second decimal place.
- Note 7. $\text{Net income}/(\text{net assets at the beginning of the period} + \text{net assets at the end of the period})/2 \times 365/\text{number of days of investment}$
- Note 8. Average price during the period (closing price) at the Real Estate Investment Trust Market of the Tokyo Stock Exchange ("Tokyo Stock Exchange") on which TOKYU REIT Inc. ("TOKYU REIT") is listed.

(2) Development of Asset Investment Management during the Current Period

① Investment Environment

Solid corporate performance during this fiscal period contributed to improvements in both employment conditions and the household sector helping the Japanese economy take a firm step forward to recovery. The economy in the Tokyo metropolitan area also continued its stable improvement in part due to the increased inflow of population from throughout the nation.

As a result of this general economic condition, the rental office market in Tokyo continued to do well. In correlation with further reduction in vacancy rates, advertised rents have gradually turned the corner centering on properties with good locations and strong specifications. On the other hand, the trend for the overall rental market is one of rents dropping. This is understood to reflect the polarization of property competitiveness with many buildings having to cautiously set their advertised rents although some offices are buoyant.

As for retail properties, large-scale outlets (department stores, supermarkets, etc.) continue to suffer lower sales, but the retail market as a whole shows signs of sales amounts bottoming out. There has been a slight upturn in Tokyo and Kanagawa prefectures supported by increased sales floor space and an increase in the surrounding population.

The land price trend continues to be that of a growing gap between Tokyo and other regions, illustrative of the growth potential of Tokyo as a targeted area of real estate investment. There is also a clear bipolarization of land prices in Tokyo, with competitive real estate showing an improved assessment.

② Investment Performance Results

a. Acquisition of Properties

TOKYU REIT continued to maintain strict investment criteria within this business climate and undertook investment management activities according to the policy of "investment in highly competitive properties in areas with strong growth potential." On April 6, 2005, TOKYU REIT acquired 60% trust beneficial quasi-co-ownership interest (acquisition price ¥14,700 million) in PICASSO347, bringing the total portfolio acquisition price as of the printing of the end of the fourth fiscal period to ¥148,060 million and a total rentable area of 175,776.97m².

(The acquisition of the remaining 40% of the trust beneficial quasi-co-ownership interest (acquisition price ¥9,800 million) of PICASSO347 that was resolved on July 6, 2005 was completed on August 2, 2005. As of the printing of this report, the total acquisition cost for all the properties was ¥157,860 million and total rentable area was 179,104.95m².)

Furthermore, the end-of-period appraisal value as of the end of this fiscal period for the portfolio of TOKYU REIT surpasses the total book value to a margin of ¥7,270 million.

b. Investment Management Control

Our dependable and stable asset management resulted in full occupancy at 14 of the 17 properties in our portfolio as of the end of this fiscal period and the overall occupancy rate of our portfolio as of fiscal-period-end was 99.1%. In this fiscal period under review we were able to offset the termination of lease contracts or negotiation of a reduction in floor space by six tenants with fifteen new lease contracts and an increase in floor space leased including successfully renting out the 18th floor of Resona Maruha Building and the 17th and 25th floors of the tower building of the Setagaya Business Square - which had been vacant for a certain amount of time. Therefore, we have posted solid performance in our tenant leasing operations.

c. Financing

Based on our financial policy of stability, mobility and efficiency, TOKYU REIT initiated a ¥15,000 million short-term loan to acquire a 60% trust beneficial quasi-co-ownership interest in PICASSO347 (April 6, 2005) and also repaid ¥1,000 million in short-term debt on May 25, 2005 as a move to reduce surplus reserves on hand. As of the end of this fiscal period, outstanding loans totaled ¥64,500 million (¥35,000 million in long-term debt and ¥29,500 million in short-term debt) and the period-end interest-bearing liabilities to total assets ratio was 39.8%. The weighted-average interest rate (calculated by dividing the annual rate of interest paid this fiscal period by the sum total of the average balance for each loan) for this fiscal period was 1.07%.

Moreover, TOKYU REIT also arranged for a ¥2,000 million commitment line on April 21, 2005 with the objective of conducting efficient and appropriate cash management.

In addition, on July 6, 2005, a resolution was passed to issue new investment units and conduct a secondary offering as a part of our financing measures in the fifth fiscal period.

d. Countering conflicts of interest

In order to ensure open and transparent business activities, TOKYU REIT strictly complies with internal rules regarding measures to prevent conflicts of interest relating to third-party transactions. For example, in selecting the property manager for PICASSO347 we observed the following procedure: 1) Obtained the opinion of a third party concerning the appropriateness of property management fees, 2) Confirmed the compliance with our rules for preventing conflicts of interest regarding the selection of property managers through an auditor that is not the Independent Auditor of TOKYU REIT, and 3) Obtained the advance approval of TOKYU REIT's Board of Directors. In this manner, we have taken comprehensive measures to prevent the damaging of TOKYU REIT's interests in transactions with interested parties.

Furthermore, in connection with property management fees relating to TOKYU REIT's seventeen investment portfolio properties (as of the end of the fiscal period) that were paid to Tokyu Group companies, we received written opinions from the STB Research Institute confirming that the level of these fees is within the range set by other REIT's listed on the Tokyo Stock Exchange.

(3) Issuance of New Investment Units

There were no new investment units issued during the fiscal period under review, and there were no increase or decrease in the number of units issued and total unitholders' equity.

Furthermore, on July 6, 2005, the Board of Directors of TOKYU REIT resolved to issue new investment units for reasons that include property acquisition and repayment of short-term debt of the investment corporation. Payments for the new investment units were completed on August 1 and August 26, 2005. This increased the total unitholders' equity to 98,020 millions of yen and the number of units issued to 169,380 units. An outline of these increases are described in "(6) Subsequent Events ① Issuance of Investment Units" in this Semiannual Report. In addition, issuance of new investment units until the end of the fourth fiscal period is as follows:

Date	Remark	Number of units issued		Total unitholders' equity		Note
		Unit		Millions of yen		
		Change	Total	Change	Total	
June 20, 2003	Issuance of units under private offering	400	400	¥ 200	¥ 200	(Note 1)
September 10, 2003	Issuance of units under public offering	97,600	98,000	¥ 49,918	¥ 50,118	(Note 2)
August 3, 2004	Issuance of units under public offering	42,000	140,000	¥ 26,481	¥ 76,599	(Note 3)
August 25, 2004	Issuance of units under third-party allotment	2,000	142,000	¥ 1,261	¥ 77,860	(Note 4)

Note 1. Incorporated with ¥ 500,000 per unit

Note 2. Issued new investment units at offer price of ¥ 530,000 (issue price: ¥ 511,450) for the purpose of acquiring new properties

Note 3. Issued new investment units at offer price of ¥ 652,484 (issue price: ¥ 630,512) for the purpose of acquiring new properties and repayments of the short-term loans

Note 4. Issued new investment units at issue price of ¥ 630,512 for the purpose of acquiring new properties and repayments of the short-term loans

【Movements of Market Price】

The highest and lowest (closing price) in the Tokyo Stock Exchange, on which TOKYU REIT is listed, are as follows:

	4th fiscal period From February 1, 2005 to July 31, 2005	3rd fiscal period From August 1, 2004 to January 31, 2005	2nd fiscal period From February 1, 2004 to July 31, 2004	1st fiscal period From June 20, 2003 to January 31, 2004
	Yen			
Highest	¥ 826,000	¥ 724,000	¥ 702,000	¥ 568,000
Lowest	¥ 668,000	¥ 658,000	¥ 550,000	¥ 505,000

(4) Distribution Information

With respect to distribution for the fourth fiscal period, TOKYU REIT determined to distribute the whole unappropriated earnings (except for the rounding amount, which is the distribution per unit of less than ¥ 1) for the fourth fiscal period to be eligible for special tax treatment (Article 67-15 of Special Taxation Measures Law (Law number 26 in 1957, including subsequent revision) that allows TOKYU REIT to deduct the maximum amount of profit distribution from its taxable income. Accordingly, distribution per unit was ¥ 13,798.

	4th fiscal period From February 1, 2005 to July 31, 2005	3rd fiscal period From August 1, 2004 to January 31, 2005	2nd fiscal period From February 1, 2004 to July 31, 2004	1st fiscal period From June 20, 2003 to January 31, 2004
	Millions of yen, except per unit data			
Unappropriated retained earnings	¥ 1,959	¥ 1,852	¥ 1,395	¥ 930
Undistributed earnings	¥ 0	¥ 0	¥ 0	¥ 0
Cash distributions	¥ 1,959	¥ 1,852	¥ 1,395	¥ 930
(Cash distribution per unit)	(¥ 13,798)	(¥ 13,045)	(¥ 14,230)	(¥ 9,488)
Distribution of accumulated earnings	¥ 1,959	¥ 1,852	¥ 1,395	¥ 930
(Distribution of accumulated earnings per unit)	(¥ 13,798)	(¥ 13,045)	(¥ 14,230)	(¥ 9,488)
Cash distribution in excess of accumulated earnings	—	—	—	—
(Cash distribution in excess of accumulated earnings per unit)	(—)	(—)	(—)	(—)

(5) Future Policies of Investment Management

① Forecast of Future Movement

As signs of continued economic recovery in the Tokyo Metropolitan area have become evident, employment conditions are improving owing to robust corporate performance, increasing personal consumption is fueling expectations of an economic turnaround, and business concentration in the nation's capital is steadfast and persistent. Conditions in regional areas, however, will continue to be weak, with an increasing disparity between these areas and major metropolitan cities. In addition to the aforementioned concentration of business in Tokyo, bipolarization is becoming more pronounced. As the capital and real estate markets increasingly interact, driven by expansion of the property securitization market, and the evaluation of properties based on the capitalization method and risk assessment become more widespread, the tendency for high-return properties to increase in value and other properties to decrease in value is expected to intensify. Accordingly, investment in growth areas, the selection of prime properties, relevant investment policies, and the ability to execute these policies will become increasingly consequential for REITs in general.

② Future policies of investment management and issues to be countered

Prior to the formal establishment of the Asset Management Company, an assessment of future investment trends based on business growth potential was undertaken. From this research, TOKYU REIT adopted the basic investment management policy of investing in highly competitive properties in areas with strong growth potential. Specifically, targeted areas are limited to the five central Tokyo wards of the Tokyo metropolitan area and the Tokyu Areas where growth is expected to continue into the future. The selection of individual investment properties is also subject to strict investment criteria. In order to ensure a high-quality portfolio, TOKYU REIT will, in principle, restrict individual investment to properties of ¥4,000 million or more. External growth is also a key factor, and therefore, TOKYU REIT will acquire properties from Tokyu Group companies and real estate markets in a manner that will ensure a balanced portfolio. At the same time, TOKYU REIT will focus on expanding the scale of its business as well as enhancing portfolio quality.

In the context of pursuing internal growth and from a property management perspective, TOKYU REIT will collaborate closely with Tokyu Group companies in an effort to ensure stability and realize growth potential. Specifically, we will strive to conclude contracts with the next tenants in regards to termination notifications from tenants at PICASSO347 and

Lexington Aoyama. In addition, TOKYU REIT will control costs in connection with property management and subsequent capital expenditure.

Moreover, to ensure transparency, the asset management company will continue to manage the properties according to global standards, in an effort to further improve external monitoring functions and disclosure as well as to fulfill its fiduciary responsibilities for the REIT.

(Information after the end of the fourth fiscal period)

The following events occurred after the end of the fourth fiscal period:

TOKYU REIT acquired the properties, detailed below, on August 2, 2005. Their general descriptions are as follows:

[R9] PICASSO347

Location	Shibuya-ku, Tokyo
Total land space ^(Note1)	1,705.35m ²
Total floor space ^(Note 1)	11,847.87m ²
Structure / floors ^(Note1)	S·SRC, B2/12F
Completion date ^(Note 1)	September 2004
Seller	Yugen Kaisha Cassiopeia Capital Corporation
Type of ownership ^(Note 2)	(Land) Proprietary ownership (Building) Proprietary ownership
Principal tenants ^(Note 3)	TOMORROWLAND Co., Ltd., CASSINA IXC. Ltd., Rocs,
Acquisition costs ^(Note 4)	¥ 9,800 million
Rationale	This property meets the "Targeted investment management and principles" of retail properties provided in the code of TOKYU REIT and was acquired for the purpose of stability and growth of its portfolio.

Note 1. 'Total land space', 'Total floor space', 'Structure / floors' and 'Completion date' are based on the description stated in the registry book of the property. The present status of the said property might not correspond to the descriptions in the registry book.

Note 2. TOKYU REIT acquired 40% of trust beneficiary interest (quasi-co-ownership)

Note 3. 'Principal tenants' are three tenants with a lot of payment of monthly rent.

Note 4. 'Acquisition cost' does not include expenditures incurred (such as trade agency fee, tax and public duty) and is the transfer price of property described in the contract of transfer of beneficial interests in trust.

(6) Subsequent events

The following events occurred after the end of the period:

① Issuance of Investment Units

On July 6, 2005, the board of Directors determined to issue the following new investment units for the purpose of repayments of short-term loans and acquisition of properties, while payments were completed on August 1 and August 26, 2005. As a result, the total amount of capital and the number of issued units became ¥ 98,020 million and 169,380, respectively, on August 29, 2005.

Issuance of Investment Units through Public Offering		Issuance of Investment Units through Third-Party Allotment	
Total number of new units to be issued	: 26,700 units	Total number of new units to be issued	: 680 units
Offering price unit	: ¥ 761,950	Issue price per unit	: ¥ 736,292
Total offering amount	: ¥ 20,344 million	Total offering amount	: ¥ 501 million
Issue price per unit	: ¥ 736,292	Payment date	: August 26, 2005
Total issue amount	: ¥ 19,659 million	Issue date of new unit	: August 29, 2005
Payment date	: August 1, 2005	Dividend calculation date	: August 1, 2005
Issue date of new unit	: August 2, 2005	Allottee	: Nomura Securities Co., Ltd.
Dividend calculation date	: August 1, 2005		

2. Company Profiles

(1) Summary of unitholders' contributions

	4th fiscal period As of July 31, 2005	3rd fiscal period As of January 31, 2005	2nd fiscal period As of July 31, 2004	1st fiscal period As of January 31, 2004
Authorized units (unit)	2,000,000	2,000,000	2,000,000	2,000,000
Units issued (unit)	142,000	142,000	98,000	98,000
Unitholders' capital (millions of yen)	¥ 77,860	¥ 77,860	¥ 50,118	¥ 50,118
Number of unitholders (persons)	12,944	14,958	9,961	11,363

(2) Major unitholders

The following table sets forth our major unitholders' information as of July 31, 2005.

Name	Address	Number of unitholders owned	Ownership
		Unit	%
Japan Trustee Services Bank, Ltd. (Trust)	1-8-11, Harumi, Chuo-ku, Tokyo	12,333	8.69
The Master Trust Bank of Japan, Ltd.	2-11-3, Hamamatsucho, Minato-ku, Tokyo	7,732	5.44
Tokyu Corporation	5-6, Nanpeidai-cho, Shibuya-ku, Tokyo	5,880	4.14
Trust & Custody Services Bank, Ltd.	Harumi Island Triton Square Office Tower-Z, 1-8-12, Harumi, Chuo-ku, Tokyo	5,773	4.07
Educational Corporation Kawasaki Gakuen	577, Matsushima, Kurashiki City, Okayama	5,000	3.52
AIG STAR LIFE INSURANCE CO.,LTD. (Standing proxy: Citibank N.A. Tokyo Branch)	Harumi Island Triton Square Office Tower-Z, 1-8-12, Harumi, Chuo-ku, Tokyo (2-3-14, Higashi-shinagawa, Shinagawa-ku, Tokyo)	4,633	3.26
The Gibraltar Life Insurance Co., Ltd. (Standing proxy: Japan Trustee Services Bank, Ltd.)	2-13-10, Nagata-cho, Chiyoda-ku, Tokyo (1-8-11, Harumi, Chuo-ku, Tokyo)	4,052	2.85
Tokyu Land Corporation	1-21-2, Dogenzaka, Shibuya-ku, Tokyo	3,920	2.76
Nikko Citi Trust and Banking Corporation	2-3-14, Higashi-Shinagawa Shinagawa-ku, Tokyo	3,203	2.26
American Life Insurance Company (Standing proxy: Citibank N.A. Tokyo Branch)	1-1-3, Marunouchi, Chiyoda-ku, Tokyo (2-3-14, Higashi-Shinagawa Shinagawa-ku, Tokyo)	2,556	1.80
Total		55,082	38.79

(3) Member of the Directors (as of July 31, 2005)

Titles	Name	Title of other companies
Executive Director	Masahiro Horie	Tokyu Real Estate Investment Management, Inc. Representative Director & President, Chief Executive Director
Supervisory Director	Giichi Yanagisawa	Certified public accountant, Shinsoh Audit Corporation/ Certified tax accountant, Shinsoh Certified Tax Accountant Office
Supervisory Director	Maruhito Kondo	Lawyer, Kondo Maruhito Law Office

Note The executive director and the supervising directors do not possess investment units of TOKYU REIT under their own name nor under another person's name. Besides, although there are cases that supervisory directors could be directors of other companies stated above, they have no particular interests in TOKYU REIT.

(4) Investment Manager, Asset Custodian and General Administrator at the end of the fourth fiscal period

Business to be entrusted	Name
Investment Manager	Tokyu Real Estate Investment Management Inc.
Asset Custodian	The Mitsubishi Trust and Banking Corporation
General Administrator	The Mitsubishi Trust and Banking Corporation

Note1. 'The Mitsubishi Trust and Banking Corporation' had been amalgamated with UFJ Trust Bank Limited and changed the name to 'Mitsubishi UFJ Trust and Banking Corporation' on October 1, 2005.

Note2. At the board of directors held on July 20, 2005, TOKYU REIT concluded the underwriting contract for additional investment units, nominating, Nomura Securities Co., Ltd, Merrill Lynch Japan Securities Co., Ltd., Daiwa Securities SMBC Co., Ltd. Nikko Citigroup Limited, Mizuho Securities Co., Ltd., Mitsubishi Securities Co., Ltd., UBS Securities Japan Ltd., UFJ Tsubasa Securities Co., Ltd., Tokai Tokyo Securities Co., Ltd., Shinko Securities Co., Ltd., and Utsumiya Securities Co., Ltd. as underwriters and general administrators entrusted by it under Article 111-1 of the Law for Investment Trust and Investment Trust Company ("the Investment Trust Law").

Payments of the aforementioned public offering were completed on August 1, 2005, and the entrusted business with respect to this public offering is brought to completion as of the date of preparation of this report.

'Mitsubishi Securities Co., Ltd.' and 'UFJ Tsubasa Securities Co., Ltd.' had been amalgamated and changed the name to 'Mitsubishi UFJ Securities Co., Ltd.' on October 1, 2005.

3. Portfolio profile

(1) Component of assets

Asset type	Type	Area	4th fiscal period As of July 31, 2005		3rd fiscal period As of January 31, 2005	
			Total amount held	Percentage of total assets	Total amount held	Percentage of total assets
			Millions of yen	%	Millions of yen	%
Real property	Retail	Central Tokyo and Tokyu Areas	¥ 6,624	4.1	¥ 6,660	4.5
		Other	—	—	—	—
		Sub total	6,624	4.1	6,660	4.5
	Office	Central Tokyo and Tokyu Areas	8,828	5.4	8,762	6.0
		Other	—	—	—	—
		Sub total	8,828	5.4	8,762	6.0
Total		15,452	9.5	15,422	10.5	
Properties trust beneficial interests	Retail	Central Tokyo and Tokyu Areas	53,642	33.1	38,715	26.3
		Other	9,664	5.9	9,760	6.6
		Sub total	63,306	39.0	48,475	32.9
	Office	Central Tokyo and Tokyu Areas	69,061	42.6	69,518	47.2
		Other	—	—	—	—
		Sub total	69,061	42.6	69,518	47.2
Total		132,367	81.6	117,993	80.1	
Other assets			14,361	8.9	13,815	9.4
Total assets			¥ 162,180 (¥ 147,819)	100.0 (91.1)	¥ 147,230 (¥ 133,415)	100.0 (90.6)

Note 1. 'Total amount held' is the amount allocated in the balance sheet at the end of the period (as to properties, figures are net book value after deducting depreciation).

Note 2. Figures in brackets of 'Total assets' represent the portion of actually held properties in the target assets above.

(2) Major portfolio

Major portfolio held by TOKYU REIT as of July 31, 2005, is as follows:

Name of property		Book Value	Rentable area	Leased area	Occupancy ratio	Percentage of total revenue from property leasing	Type
		Millions of yen	m ²	m ²	%	%	
R1	QFRONT	¥ 14,901	4,544.07	4,544.07	100.0	10.3	Retail
R2	Lexington Aoyama	4,785	2,241.65	2,241.65	100.0	2.8	Retail
R3	TOKYU REIT Omotesando Square	5,782	2,702.42	2,702.42	100.0	3.0	Retail
R4	Tokyu Saginuma Building	6,872	19,610.06	19,610.06	100.0	5.5	Retail
R5	Tokyu Saginuma 2 Building	1,283	1,284.60	1,284.60	100.0	1.1	Retail
R6	TOKYU REIT Shibuya Udagawa-cho Square	6,624	1,543.05	1,543.05	100.0	3.0	Retail
R7	Yokohama Yamashita-cho Building	4,921	8,958.70	8,958.70	100.0	4.3	Retail
R8	Beacon Hill Plaza	9,664	50,285.89	50,285.89	100.0	5.3	Retail
R9	PICASSO 347	15,099	4,991.97	4,991.97	100.0	4.8	Retail
O1	Setagaya Business Square	21,476	24,931.53	24,179.94	97.0	21.5	Office
O2	Tokyu Nampeidai-cho Building	4,569	7,148.18	7,148.18	100.0	3.0	Office
O3	Tokyu Sakuragaoka-cho Building	6,547	4,737.19	4,737.19	100.0	4.2	Office
O4	Tokyo Nissan Taito Building	4,301	7,947.25	7,787.61	98.0	3.7	Office
O5	TOKYU REIT Akasaka Hinokicho Building	3,565	3,206.25	3,206.25	100.0	2.5	Office
O6	TOKYU REIT Kamata Building	4,543	7,231.48	7,231.48	100.0	4.8	Office
O7	Resona Maruha Building	24,059	14,414.99	14,414.99	100.0	12.7	Office
O8	Fujita Kanko Toranomom Building	8,828	9,997.69	9,332.64	93.3	7.7	Office
Total		¥ 147,819	175,776.97	174,200.69	99.1	100.0	

Note 1. The properties' trust beneficiary interests possessed the said whole of the 15 properties, except TOKYU REIT Shibuya Udagawa-cho Square and Fujita Kanko Toranomom Building (The name is scheduled to be changed to "TOKYU REIT Toranomom Building").

Note 2. 'Rentable area' is the total area of rentable offices, stores and warehouses indicated in the agreements and drawing (common use space is included when leased. Spaces outside buildings are not included). With respect to Tokyu Saginuma Building, Yokohama Yamashita-cho Building, Beacon Hill Plaza and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents the partial space possessed appropriately by other owners and leases them as a block together with the entrusted property, the said space is included in it. For Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of co-ownership). For Fujita Kanko Toranomom Building, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the second floor) owned by another compartmentalized owner and leased by TOKYU REIT, and exclusive-use areas under proprietary ownership. For PICASSO 347, the stated figure is given by multiplying rentable area in the whole building by the ratio of trust beneficiary interest (60%, quasi-co-ownership).

Note 3. 'Leased area' is the amount of square meters actually leased, under lease contracts, out of the total square meters stated in contracts (parking lots, side signboards or other than floors leased under commitments, are not included). For Tokyu Saginuma Building, Yokohama Yamashita-cho Building, Beacon Hill Plaza and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents partial space possessed appropriately by other owners and leases them as a block together with the entrusted property, and the said space is included in it. As to Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of co-ownership). For Fujita Kanko Toranomom Building, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the second floor) owned by another compartmentalized owner and leased by TOKYU REIT, and exclusive-use areas under proprietary ownership. For PICASSO347, the stated figure is given by multiplying rentable area in the whole building by the ratio of trust beneficiary interest (60%, quasi-co-ownership).

Note 4. 'Occupancy ratio' is the percentage of leased areas to rentable area at the end of the period.

Note 5. 'Percentage of total revenue from property leasing' is rounded off the second decimal place from this fiscal period. Therefore, sum of each item might be not corresponding to figure of 'Total'.

(3) Details of Properties in Portfolio

Properties held by TOKYU REIT as of July 31, 2005 are as follows:

	Name of property	Location	Investment Type	Rentable area	Appraisal value at the end of period	Book value		
				m ²	Millions of yen	Millions of yen		
Retail	R1	QFRONT	75-8, Udagawa-cho, Shibuya-ku, Tokyo	Trust	4,544.07	¥ 16,600	¥ 14,901	
	R2	Lexington Aoyama	5-235-7, Minami-Aoyama, Minato-ku, Tokyo	Trust	2,241.65	5,580	4,785	
	R3	TOKYU REIT Omotesando Square	4-3-18, Jingumae, Shibuya-ku, Tokyo	Trust	2,702.42	5,750	5,782	
	R4	Tokyu Saginuma Building	1-1, Saginuma, Miyamae-ku, Kawasaki City, Kanagawa	Trust	19,610.06	7,760	6,871	
	R5	Tokyu Saginuma 2 Building	1-18-5, Kodai, Miyamae-ku, Kawasaki City, Kanagawa	Trust	1,284.60	1,340	1,283	
	R6	TOKYU REIT Shibuya Udagawa-cho Square	86-2, Udagawa-cho, Shibuya-ku, Tokyo	Real property	1,543.05	7,310	6,624	
	R7	Yokohama Yamashita-cho Building	36-1, Yamashita-cho, Naka-ku, Yokohama City, Kanagawa	Trust	8,958.70	5,190	4,921	
	R9	PICASSO 347	1-23-1, Shibuya, Shibuya-ku, Tokyo	Trust	4,991.97	14,700	15,099	
	Sub total					45,876.52	64,230	60,266
	Other	R8	Beacon Hill Plaza	88-1, Noukendai-higashi, Kanazawa-ku, Yokohama City, Kanagawa	Trust	50,285.89	9,590	9,664
Sub total					50,285.89	9,590	9,664	
Total					96,162.41	73,820	69,930	
Office	O1	Setagaya Business Square	4-260-2, Yoga, Setagaya-ku, Tokyo	Trust	24,931.53	22,900	21,476	
	O2	Tokyu Nampeidai-cho Building	12-3, Nampeidai-cho, Shibuya-ku, Tokyo	Trust	7,148.18	4,880	4,569	
	O3	Tokyu Sakuragaoka-cho Building	109-9, Sakuragaoka-cho, Shibuya-ku, Tokyo	Trust	4,737.19	6,890	6,547	
	O4	Tokyo Nissan Taito Building	2-120-2, Moto-Asakusa, Taito-ku, Tokyo	Trust	7,947.25	4,770	4,301	
	O5	TOKYU REIT Akasaka Hinokicho Building	6-1401, Akasaka, Minato-ku, Tokyo	Trust	3,206.25	3,780	3,565	
	O6	TOKYU REIT Kamata Building	5-13-7, Kamata, Ota-ku, Tokyo	Trust	7,231.48	5,270	4,544	
	O7	Resona Maruha Building	1-2-1, Otemachi, Chiyoda-ku, Tokyo	Trust	14,414.99	23,900	24,059	
	O8	Fujita Kanko Toranomom Building	3-45-6, Toranomom, Minto-ku, Tokyo	Real property	9,997.69	8,880	8,828	
	Sub total					79,614.56	81,270	77,889
Total					79,614.56	81,270	77,889	
Total					175,776.97	¥ 155,090	¥ 147,819	

Note 1. 'Location' is stated as based on the description shown in the registry book of the property. The present status of the said property might not correspond to the descriptions in the registry book.

Note 2. 'Rentable area' is the total area of rentable offices, stores and warehouses indicated in the agreements and drawings (common use space is included when it is leased. Spaces outside buildings are not included). With respect to Tokyu Saginuma Building, Yokohama Yamashita-cho Building, Beacon Hill Plaza and Tokyu Nampeidai-cho Building, parking lots are included. Regarding QFRONT, the fiduciary rents the partial space possessed appropriately by other owners and leases them as a block together with the entrusted property and

the said space is included in it. For Setagaya Business Square, jointly owned with another owner, the stated figure is given by multiplying rentable area in the whole building by the ratio of common-use space (55%, ratio of joint co-ownership). For Fujita Kanko Toranomom Building, the leased area includes exclusive-use areas jointly owned with another compartmentalized owner, an exclusive area (limited to an area on the second floor) owned by another compartmentalized owner and leased by TOKYU REIT, and exclusive-use areas under proprietary ownership. For PICASSO 347, the stated figure is given by multiplying rentable area in the whole building by the ratio of trust beneficiary interest (60%, quasi-co-ownership).

Note 3. 'Appraisal value at the end of period' is the assessed value based on the appraisal by real estate appraisers following the asset evaluation method, standards, reporting date and rules laid down in the laws and rules of the Investment Trust Association, Japan, (based on the report prepared by Japan Real Estate Institute, HIRO & REAS network, Inc., Jones Lang LaSalle IP, Inc., and Daiwa Real Estate Appraisal Co., Ltd., which adopt the period end date as the date of value estimate).

Development of Leasing Business of Properties Held by TOKYU REIT

Name of property		4th fiscal period From February 1 to July 31, 2005				3rd fiscal period From August 1, 2004 to January 31, 2005				
		Number of tenants	Occupancy ratio	Revenue from property leasing	Percentage of total revenue from property leasing	Number of tenants	Occupancy ratio	Revenue from property leasing	Percentage of total revenue from property leasing	
			%	Millions of yen	%		%	Millions of yen	%	
Retail	R1	QFRONT	4	100.0	¥ 584	10.3	4	100.0	¥ 590	11.7
	R2	Lexington Aoyama	2	100.0	159	2.8	2	100.0	159	3.1
	R3	TOKYU REIT Omotesando Square	4	100.0	170	3.0	4	100.0	169	3.4
	R4	Tokyu Saginuma Building	1	100.0	310	5.5	1	100.0	312	6.2
	R5	Tokyu Saginuma 2 Building	1	100.0	65	1.1	1	100.0	65	1.3
	R6	TOKYU REIT Shibuya Udagawa-cho Square	2	100.0	168	3.0	2	100.0	168	3.3
	R7	Yokohama Yamashita-cho Building	1	100.0	242	4.3	1	100.0	239	4.7
	R9	PICASSO 347	14	100.0	273	4.8	—	—	—	—
	Sub total		29	100.0	1,971	34.7	15	100.0	1,702	33.7
	Other	R8	Beacon Hill Plaza	1	100.0	300	5.3	1	100.0	297
Sub total		1	100.0	300	5.3	1	100.0	297	5.9	
Total		30	100.0	2,271	40.0	16	100.0	1,999	39.6	
Office	O1	Setagaya Business Square	61	97.0	1,219	21.5	54	89.7	1,229	24.3
	O2	Tokyu Nampeidai -cho Building	1	100.0	171	3.0	1	100.0	171	3.4
	O3	Tokyu Sakuragaoka -cho Building	2	100.0	238	4.2	2	100.0	238	4.7
	O4	Tokyo Nissan Taito Building	12	98.0	209	3.7	13	100.0	209	4.2
	O5	TOKYU REIT Akasaka Hinokicho Building	5	100.0	144	2.5	5	100.0	137	2.7
	O6	TOKYU REIT Kamata Building	5	100.0	270	4.8	5	100.0	277	5.5
	O7	Resona Maruha Building	3	100.0	723	12.7	2	88.5	670	13.3
	O8	Fujita Kanko Toranomom Building	6	93.3	440	7.7	7	100.0	115	2.3
	Sub total		95	98.0	3,414	60.0	89	94.7	3,046	60.4
Total		95	98.0	3,414	60.0	89	94.7	3,046	60.4	
Total		125	99.1	¥ 5,685	100.0	105	97.5	¥ 5,045	100.0	

- Note 1. With respect to 'Number of tenants', this is counted cumulatively, i.e., when one tenant leases plural rooms for rent in the same property, it is regarded as one tenant, and when in plural properties, it is regarded as plural tenants.
- Note 2. 'Occupancy ratio' is the percentage of leased areas to rentable area at the end of the period.
- Note 3. 'Percentage of total revenue from property leasing' is rounded off the second decimal place from this fiscal period. Therefore, sum of each item might be not corresponding to figure of 'Total'.

(4) Other Assets

As of July 31, 2005, there are no assets targeted for investments other than those described in said above.

4. Capital Expenditures for Properties Held

(1) Plan of Capital Expenditures

Major capital expenditure for repair and maintenance works of properties held, as scheduled as of the date of this report, is as follows: The estimated construction costs shown below includes repair and maintenance costs to be charged to income.

Efficient repair and maintenance plans continue to be prepared for each property to maintain their competitiveness and from the view point of medium- to long-term improvements, as well as for repair and maintenance, and capital expenditure.

Name of property	Location	Objective	Estimated period	Estimated construction cost		
				Millions of yen		
				Total	Amount paid during this period	Amount paid by the end of period
R6 TOKYU REIT Shibuya Udagawa-cho Square	Shibuya-ku, Tokyo	External wall and others renewal	From August 2005 To September 2005	¥ 65	—	—
O6 TOKYU REIT Kamata Building	Ota-ku, Tokyo	Specification change of 1st floor	From November 2005 to December 2005	¥ 27	—	—

(2) Capital Expenditures made during the Period

The overview of construction works that fall under the category of capital expenditures for properties held, is as follows:

Capital expenditures during the current period amounted to ¥ 143 million, and together with ¥ 91 million expenses for repair and maintenance costs, ¥ 234 million was spent for these works. The said works are renovations to improve the degree of satisfaction of current tenants and to maintain competitiveness for tenant leasing.

Name of property	Location	Objective	Period	Construction costs
				Millions of yen
O4 Tokyo Nissan Taito Building	Taito-ku, Tokyo	External wall repair	From April 2005 to July 2005	¥ 33
O8 Fujita Kanko Toranomom Building	Minato-ku Tokyo	Installation of a garbage dump and an anteroom of garbage collectors	From May 2005 to June 2005	10
O8 Fujita Kanko Toranomom Building	Minato-ku Tokyo	9th floor repair	From June 2005 to July 2005	74
Other				116
Total				¥ 234

(3) Reserve for Long-Term Repair and Maintenance Plan
(Reserve for Repair and Maintenance)

Subject to the mid- and long-term future schedule for repair and maintenance decided for each property, TOKYU REIT accounted for reserves for repair and maintenance from cash flow made during the period in order to pay for significant repair and maintenance plans as follows:

	4th fiscal period From February 1, 2005 to July 31, 2005	3rd fiscal period From August 1, 2004 to January 31, 2005	2nd fiscal period From February 1, 2004 to July 31, 2004	1st fiscal period From June 20, 2003 to January 31 2004
	Millions of yen			
Reserve at the beginning of the period	¥ 330	¥ 276	¥ 214	—
Amount transferred to reserve in current period	143	204	571	¥ 214
Reversal from reserves in current period	142	150	509	—
Reserve at the ending of the period	¥ 331	¥ 330	¥ 276	¥ 214

Note TOKYU REIT took over reserves made in the trust assets that the prior proprietor accounted for at the time of trade of beneficial interests in trust accounts and for the current period, such reserves are included in the "amount transferred to reserve in current period".

5. Expenses and debt

(1) Asset management expenses

	4th fiscal period From February 1, 2005 to July 31, 2005		3rd fiscal period From August 1, 2004 to January 31, 2005	
	Millions of yen			
(a) Asset management fees				
Asset-based fees	¥ 205		¥ 167	
Cash-based fees	199		183	
Unit price-based fees	50	¥ 454	47	¥ 397
(b) Asset custodian and general administration fees		55		55
(c) Director's fees		5		5
(d) Other expenses		68		54
Total		¥ 582		¥ 511

(2) Short-term debt and Long-term debt

Short-term debt and Long-term debt from each financial institution, as of July 31, 2005, are as follows:

Category	Lender	Draw-down date	Balance as of January 31, 2005	Balance as of July 31, 2005	Average interest rate	Maturity date	Re-payment method	Use of funds	Remark	
			Millions of yen	Millions of yen	%					
Short-term debt	The Mitsubishi Trust and Banking Corporation	June 25, 2004	¥ 2,000	1,000	0.46523	August 25, 2005	Bullet payment	Refinance fund	Unsecured and Unguaranteed (Note 3)	
	The Bank of Tokyo-Mitsubishi Corporation		5,000	5,000	0.50831	September 25, 2005				
	The Bank of Tokyo-Mitsubishi Corporation	December 15, 2004	900	900	0.47080	December 15, 2005		(Note 2)		
	Mizuho Corporate Bank, Ltd.		900	900						
	The Mitsubishi Trust and Banking Corporation		900	900						
	The Chuo Mitsui Trust and Banking Company, Limited		900	900						
	The Sumitomo Trust and Banking Company, Limited		4,900	4,900						
	The Bank of Tokyo-Mitsubishi Corporation	April 6, 2005	—	1,500	0.47162	April 6, 2006				
	Mizuho Corporate Bank, Ltd.		—	1,500						
	The Mitsubishi Trust and Banking Corporation		—	1,500						
	The Chuo Mitsui Trust and Banking Company, Limited		—	9,000						
	The Sumitomo Trust and Banking Company, Limited		—	1,500						
	Sub total		15,500	29,500						
Long-term debt	The Sumitomo Trust and Banking Company, Limited	June 25, 2004	5,000	5,000	1.11625	June 25, 2007	Bullet payment		Refinance fund	Unsecured and Unguaranteed (Note 3)
	The Dai-ichi Mutual Life Insurance Company		4,000	4,000						
	Nippon Life Insurance Company		4,000	4,000						
	The Norinchukin Bank		4,000	4,000						
	The Hyakugo Bank, Ltd.		1,000	1,000	1.23875	June 25, 2008		Unsecured and Unguaranteed (Notes 3 and 4)		
	The Mitsubishi Trust and Banking Corporation		5,000	5,000	1.68875	June 25, 2009		Unsecured and Unguaranteed (Note 3)		
The Chuo Mitsui Trust and Banking Company, Limited		5,000	5,000							

acquire or transfer such specified assets. Investigation procedures were conducted by ChuoAoyama PricewaterhouseCoopers in accordance with "Investigation of Values of Specified Assets Held by Investment Trust and Investment Corporations", Industry Audit Committee Report No. 23 issued by The Japanese Institute of Certified Public Accountants, and TOKYU REIT received their report which includes methods, results and other items regarding the investigation as shown in above table. The Industry Audit Committee Report requires a practitioner to obtain comparative values for such specified assets from an investment corporation and perform other necessary procedures. Accordingly, this investigation was not an examination, a review or an audit, the objective of which would be the expression of an opinion on the values of such specified assets.

Note 2. 'Acquisition costs' do not include expenditures incurred for the acquisition (such as trade agency fee, tax and public duty) and is the transaction cost of the property stated in the sales contract or the contract of transfer of beneficial interests in trust.

Note 3. 'Appraisal value at the end of period' is not based on the research of prices of specified assets, and is attached as reference. Appraisal methods are described in "3. Portfolio Profile (3) Details of Properties in Portfolio, Note 3".

(4) Trading with related party

① Status of trading

There are no items that fall under the category with respect to trades of specified assets with related parties during the current period.

② Amounts of commissions paid to related parties

Item	Total amounts of commissions paid (A) Thousands of yen	Paid to related parties		B/A (%)
		Payee	Amount of payment (B) Thousands of yen	
Utilities expenses	¥ 473,665	Shibuya Underground Shopping Center, Inc.	¥ 57	0.0
		Yoga District Heating and Cooling Co., Ltd.	¥ 113,261	23.9
Subcontract expenses	421,762	Its communications Inc.	20,065	4.8
		Kyodo Gijutsu Center Co., Ltd.	15,265	3.6
		Tokyu Community Co., Ltd.	209,669	49.7
		Tokyu Facility Service, Co., Ltd.	20,674	4.9
Property management fees	129,686	Tokyu Land Corporation	75,659	58.3
		Tokyu Corporation	54,027	41.7
Insurance premium	17,348	Tokyu Insurance Consulting Co., Ltd.	17,348	100.0
Other rental service expenses	198,921	TOKYU LIVABLE, Inc.	2,596	1.3
		its communications Inc.	55	0.0
		Shibuya Underground Shopping Center, Inc.	840	0.4
		Tokyu Community Co., Ltd.	2,034	1.0
		Tokyu Facility Service, Co., Ltd.	100	0.1
		Tokyu Land Corporation	1,657	0.8
		Tokyu Corporation	686	0.3

Note 1. A related party is one that has a stake in TOKYU REIT and the investment manager, which is under contract with TOKYU REIT under Article 20 of Enforcement Regulation of Investment Trust Law. In addition to these, "(4) Trading with related party" includes wholly owned subsidiaries by said related party as of July 31, 2005. TOKYU REIT paid for commissions to the following parties during the fourth period: its communications Inc., Kyodo Gijutsu Center Co., Ltd., Shibuya Underground Shopping Center, Inc., Tokyu Community Co., Ltd., Tokyu Facility Service Co., Ltd., Tokyu Land Corporation, Tokyu Insurance Consulting Co., Ltd., Tokyu Corporation and Yoga District Heating and Cooling Co., Ltd

Note 2. In addition to the commissions paid described above, TOKYU REIT paid for commissions to third parties through Tokyu Land Corporation and Tokyu Corporation ¥ 22,023 thousand, and ¥ 94,047 thousand, respectively.

Note 3. In addition to commissions paid as described above, the amount paid for repair and maintenance works placed to related parties are as follows (in addition to those, ¥ 1,911 thousand was paid to third parties for repair and maintenance works through Tokyu Community Co., Ltd., a related party):

Tokyu Construction Co., Ltd.	¥ 4,338 thousand
Tokyu Community Co., Ltd.	¥ 6,379 thousand
Tokyu Facility Service Co., Ltd.	¥ 227 thousand
Tokyu Land Corporation	¥ 1,413 thousand
Tokyu Corporation	¥ 3,676 thousand

(5) Trading between the investment manager and TOKYU REIT where the investment manager follows other business.

The investment manager (Tokyu Real Estate Investment Management Inc.) does not carry out other business such as Securities Business, Realty Business and Specific Property Joint Undertaking as a Subsidiary Business.

7. Accounting

(1) Assets, Liabilities, Unitholders' capital and Profit/Loss

See accompanying Balance Sheet and Statement of Income and Retained Earnings.

(2) Change in depreciation method

There is no item that falls under this category.

(3) Change in valuation methods

There is no item that falls under this category.

8. Others

(1) News

There are no major contracts entered and revised, which have been approved by the board of directors during the current period.

(2) Others

In this report, unless otherwise specifically mentioned, amounts and ratios are rounded.

Report of Independent Auditors

To the Board of Directors of
TOKYU REIT, Inc.

We have audited the accompanying balance sheets of TOKYU REIT, Inc. (the "Company") as of July 31, 2005 and January 31, 2005, and the related statements of income and retained earnings and cash flows for the six months ended July 31, 2005 and January 31, 2005, all expressed in Japanese Yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TOKYU REIT, Inc. as of July 31, 2005 and January 31, 2005 and the results of its operations and its cash flows for the six months ended July 31, 2005 and January 31, 2005 in conformity with accounting principles generally accepted in Japan.

As described in Note 14, issuance of additional units is stated as significant subsequent events.



Tokyo, Japan
October 13, 2005

TOKYU REIT, Inc.
Balance Sheets
As of July 31 and January 31, 2005

	July 31, 2005	January 31, 2005
	(Millions of yen)	
<u>ASSETS</u>		
Current assets:		
Cash and deposits with banks	¥ 1,625	¥ 1,400
Cash and deposits with banks held in trust	11,437	10,828
Tenant receivables	140	110
Consumption tax refund receivables	66	381
Other current assets	50	55
Total current assets	13,318	12,774
 Fixed assets:		
Property and equipment		
Buildings and structures	2,205	2,149
Land	13,295	13,282
Other tangible assets	16	12
Buildings and structures held in trust	39,550	35,222
Land held in trust	94,863	84,333
Other tangible assets held in trust	646	279
Less accumulated depreciation	(2,769)	(1,876)
Total property and equipment	147,806	133,401
Intangible assets held in trust	13	14
Investments and other assets		
Lease deposits	106	106
Lease deposits held in trust	877	876
Other assets	60	60
Total investments and other assets	1,043	1,042
Total fixed assets	148,862	134,457
Total assets	¥ 162,180	¥ 147,231

The accompanying notes are an integral part of these financial statements.

TOKYU REIT, Inc.
Balance Sheets, continued
As of July 31 and January 31, 2005

	July 31, 2005	January 31, 2005
	(Millions of yen)	
<u>LIABILITIES</u>		
Current liabilities:		
Short-term debt	¥ 29,500	¥ 15,500
Accounts payable	870	728
Rent received in advance	935	808
Accrued expenses and other current liabilities	275	234
Total current liabilities	31,580	17,270
Long-term liabilities:		
Long-term debt	35,000	35,000
Tenant leasehold and security deposits	863	806
Tenant leasehold and security deposits held in trust	14,915	14,440
Other long-term liabilities	3	3
Total long-term liabilities	50,781	50,249
Total liabilities	82,361	67,519
 <u>UNITHOLDERS' EQUITY</u>		
Unitholders' capital:		
Units authorized - 2,000,000 units		
Units issued and outstanding - 142,000 units as of July 31 and January 31, 2005	77,860	77,860
Retained earnings	1,959	1,852
Total unitholders' equity	79,819	79,712
Total liabilities and unitholders' equity	¥ 162,180	¥ 147,231

The accompanying notes are an integral part of these financial statements.

TOKYU REIT, Inc.
Statements of Income and Retained Earnings
For the six months ended July 31 and January 31, 2005

	For the six months ended	
	July 31, 2005	January 31, 2005
	(Millions of yen)	
Operating revenues:		
Rental revenue	¥ 5,233	¥ 4,630
Other	452	415
Operating expenses:		
Rental service expenses	(2,777)	(2,323)
Asset management fees	(454)	(397)
Other	(128)	(114)
Operating income	2,326	2,211
Non-operating income:		
Interest income	0	0
Other	4	0
Non-operating expenses:		
Interest expense	(317)	(289)
Unit issuance costs	(43)	(60)
Other	(10)	(9)
Income before income taxes	1,960	1,853
Income taxes:		
Current	(1)	(1)
Deferred	(0)	0
Net income	1,959	1,852
Retained earnings at beginning of period	0	0
Retained earnings at end of period	¥ 1,959	¥ 1,852

The accompanying notes are an integral part of these financial statements.

TOKYU REIT, Inc.
Statements of Cash Flows
For the six months ended July 31 and January 31, 2005

	For the six months ended	
	July 31, 2005	January 31, 2005
	(Millions of yen)	
Cash flows from operating activities:		
Income before income taxes	¥ 1,960	¥ 1,853
Depreciation and amortization	895	802
Loss on disposal of property and equipment	33	-
Interest income	0	0
Interest expense	317	289
(Increase) decrease in tenant receivables	(31)	19
Decrease (increase) in consumption tax refund receivables	315	(381)
Increase (decrease) in accounts payable	142	(33)
Increase in rent received in advance	128	172
Other, net	20	(166)
Total	3,779	2,555
Interest received	0	0
Interest paid	(298)	(300)
Income taxes paid	(1)	(1)
Net cash provided by operating activities	3,480	2,254
Cash flows from investing activities:		
Payments for purchases of property and equipment	(108)	(8,776)
Payments for purchases of property and equipment held in trust	(15,224)	(14,992)
Payments for lease deposits	-	(96)
Proceeds from tenant leasehold and security deposits	95	615
Payments for tenant leasehold and security deposits	(38)	-
Proceeds from tenant leasehold and security deposits held in trust	596	5,610
Payments for tenant leasehold and security deposits held in trust	(121)	(285)
Payments for restricted deposits with banks held in trust	(596)	(1,272)
Proceeds from restricted deposits with banks held in trust	121	285
Net cash used in investing activities	(15,275)	(18,911)
Cash flows from financing activities:		
Proceeds from short-term debt	15,000	8,500
Repayment of short-term debt	(1,000)	(18,000)
Proceeds from issuance of investment units	-	27,743
Payment of dividends	(1,846)	(1,392)
Net cash provided by financing activities	12,154	16,851
Net change in cash and cash equivalents	359	194
Cash and cash equivalents at beginning of period	3,000	2,806
Cash and cash equivalents at end of period	¥ 3,359	¥ 3,000

The accompanying notes are an integral part of these financial statements.

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2005

1. Organization and basis of presentation

(a) Organization

TOKYU REIT, Inc. ("TOKYU REIT"), a real estate investment corporation with initial capital of ¥200 million, was formed on June 20, 2003 under the Investment Trust and Investment Corporation Law of Japan ("Investment Trust Law"). Registration with the Kanto Local Finance Bureau of the Ministry of Finance was completed on July 18, 2003 in accordance with the Investment Trust Law.

On September 10, 2003, TOKYU REIT was listed on the Tokyo Stock Exchange and issued 97,600 investment units for proceeds totaling ¥49,918 million through initial public offering. TOKYU REIT had acquired 11 properties with those proceeds and started its substantial operation.

In August 2004, TOKYU REIT completed its second public offering of 42,000 units and third party allotment of 2,000 units. Net proceeds totaling ¥27,743 million were utilized in the partial repayments of short-term loan and acquisition of additional 2 properties.

As at July 31, 2005, TOKYU REIT's total capital has been ¥77,860 million with 142,000 units outstanding. And TOKYU REIT has been operating 17 properties at approximately 99.1% of occupancy rate. Total acquisition cost of those 17 properties is ¥148,060 million and total rentable area is 175,776.97 m².

In August 2005, subsequent to the current six months ended July 31, 2005, TOKYU REIT completed its third public offering of 26,700 units and third party allotment of 680 units. With net proceeds totaling ¥20,160 million, TOKYU REIT had repaid short-term debt and acquired 40% of trust beneficiary interest of PICASSO347, 60% of which had already acquired by TOKYU REIT in April 2005.

(b) Basis of presentation

The financial statements of TOKYU REIT, which is incorporated in Japan, have been prepared in accordance with the provisions set forth in the Commercial Code of Japan, the Investment Trust Law, the Securities and Exchange Law of Japan ("Securities and Exchange Law") and related regulations and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the financial statements, which were submitted to the Director of the Kanto Local Financial Bureau of the Ministry of Finance, have been reclassified for the convenience of readers outside Japan.

The accompanying financial statements are a translation of the audited financial statements that were prepared for Japanese domestic purposes from the accounts and records maintained by TOKYU REIT and were filed with the Kanto Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. TOKYU REIT does not prepare consolidated financial statements, as TOKYU REIT has no subsidiaries.

TOKYU REIT's first fiscal period began on June 20, 2003, the date of incorporation, and ended on January 31, 2004. TOKYU REIT's fiscal period is a six-month period, which ends respectively at the end of each January and July of each year.

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2005

2. Significant accounting policies

- (a) **Cash and cash equivalents** - Cash and cash equivalents consist of cash, demand deposits, cash and deposits held in trust and short-term investments which are highly liquid, readily convertible to cash and with insignificant risk of price fluctuation, and which expire within three months from the date of acquisition.
- (b) **Property and equipment** - Property and equipment are carried at cost, less accumulated depreciation. Depreciation of property and equipment, except for land, is computed by using the straight-line method at rates based on the estimated useful lives of the respective assets.

The ranges of useful lives used in the computation of depreciation are generally as follows (including those held in trust):

Buildings and structures	
Buildings	2-50 years
Structures	2-52 years
Other tangible assets	
Machinery and equipment	3-16 years
Tools, furniture and fixtures	2-15 years

- (c) **Intangible assets** - Amortization is computed by using the straight-line method.
- (d) **Unit issuance costs** - Unit issuance costs are recognized as an expense as they are incurred. TOKYU REIT issued 42,000 investment units on August 3, 2004. The "Spread Method" was employed for the unit issuance. Under the Spread Method, securities underwriters underwrite the units at the issue price and offer them to investors at the offer price, which is different from the issue price. The difference between the issue price and the offer price is the commission received by the securities underwriters, eliminating the need for the issuer to pay underwriting commissions. If securities underwriters would have underwritten the units at the issue price and offered to investors at the offer price, which would have been the same as the issue price known as the "Conventional Method", a commission would have been incurred and it would have been expensed as unit issuance costs. Therefore, the Spread Method decreased unit issuance costs by ¥923 million and therefore increased income before income taxes by ¥923 million compared to the Conventional Method for the six months ended January 31, 2005.
- (e) **Income taxes** - Income taxes are accounted for financial reporting purpose. The tax effect of temporary differences between the amount of assets and liabilities for financial statements and for income tax reporting is recognized as deferred taxes. A deferred tax asset of ¥ 20 thousand and ¥24 thousand are included in other current assets as of July 31 and January 31, 2005, respectively.
- (f) **Property-related taxes** - Property-related taxes (property tax, city planning tax and depreciable property tax) are imposed on property on a calendar year basis. The amount of such taxes assessed in the period is charged to income as rental service expenses. In accordance with Japanese business practice, at the time of disposal, the seller of the property is generally liable for property-related taxes on the property from the date of disposal to the end of the calendar year in which the property is disposed. The seller, however, is reimbursed by the purchaser of the property for the accrued property-related tax liabilities, and the amount of the settlement reflects this adjustment. TOKYU REIT is allocated the portion of the property-related taxes related to the period following the purchase date of each property through the end of the calendar year. The amounts of those allocated portions of the property-related taxes are capitalized as part of the acquisition costs of the related properties. Capitalized property-related taxes totals ¥32 million and ¥53 million for the six months ended July 31, 2005 and for the six months ended January 31, 2005, respectively.

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2005

- (g) **Revenue recognition** – TOKYU REIT operates retail and office properties that are rented to tenants. Revenue from leasing the retail and office space is recognized on an accrual basis over the life of each lease. Rental revenue includes fixed rental revenues, recoveries of utility charges and other income.
- (h) **Accounting treatment of beneficiary interest in trust accounts, including real estate**– For trust beneficiary interests in real estate, which are commonly utilized in the ownership of commercial properties in Japan and through which TOKYU REIT holds all of its property, all accounts of assets and liabilities within the trust, as well as all income generated and expenses incurred from assets in trust, are recognized in the relevant balance sheet and income statement accounts.
- (i) **Net income per unit** – Net income per unit is computed by dividing net income by the weighted-average number of units outstanding during each period.

3. Cash and cash equivalents

Cash and cash equivalents, at July 31 and January 31, 2005, consisted of the follows:

	July 31, 2005	January 31, 2005
(Millions of yen)		
Cash and deposits with banks	¥ 1,625	¥ 1,400
Cash and deposits with banks held in trust	11,437	10,828
Restricted deposits with banks held in trust	(9,703)	(9,228)
Cash and cash equivalents	¥ 3,359	¥ 3,000

Restricted deposits with banks held in trust are retained for repayment of tenant leasehold and security deposits.

4. Schedule of property and equipment and intangible assets held in trust

Property and equipment and intangible assets held in trust as of July 31 and January 31, 2005 consisted of the following:

	July 31, 2005			January 31, 2005		
	(Millions of yen)					
	Acquisition costs	Accumulated depreciation	Book value	Acquisition costs	Accumulated depreciation	Book value
Property and equipment						
Buildings and structures						
Buildings	¥ 2,204	¥ (63)	¥ 2,141	¥ 2,148	¥ (21)	¥ 2,127
Structures	1	(0)	1	1	(0)	1
Land	13,295	-	13,295	13,282	-	13,282
Other tangible assets						
Machinery and equipment	3	(1)	2	3	(0)	3
Tools, furniture and fixtures	13	(2)	11	9	(0)	9
Property and equipment held in trust						
Buildings and structures						
Buildings	38,845	(2,502)	36,343	34,588	(1,716)	32,872
Structures	705	(70)	635	634	(48)	586
Land	94,863	-	94,863	84,333	-	84,333
Other tangible assets						
Machinery and equipment	474	(52)	422	144	(34)	110
Tools, furniture and fixtures	172	(79)	93	135	(57)	78
Intangible assets held in trust	15	(2)	13	15	(1)	14
Total	¥150,590	¥ (2,771)	¥147,819	¥135,292	¥ (1,877)	¥133,415

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2005

5. Unitholders' equity

TOKYU REIT issues investment units in accordance with the Investment Trust Law. All the proceeds from the issuance of new units are designated as stated capital. TOKYU REIT maintains minimum net assets of at least ¥50 million as required by the Investment Trust Law.

6. Short-term debt and Long-term debt

Short-term debt and long-term debt as of July 31 and January 31, 2005 consisted of the following:

	July 31, 2005 Amount (Millions of yen)	January 31, 2005 Amount (Millions of yen)
Short-term debt		
Unsecured loans due on August 25, 2005 with floating rate	¥ 1,000	¥ 2,000
Unsecured loans due on September 25, 2005 with floating rate	5,000	5,000
Unsecured loans due on December 15, 2005 with floating rate	8,500	8,500
Unsecured loans due on April 6, 2006 with floating rate	15,000	-
Sub total	29,500	15,500
Long-term debt		
Unsecured loans due on June 25, 2007 with fixed rate	13,000	13,000
Unsecured loans due on June 25, 2008 with fixed rate	5,000	5,000
Unsecured loans due on June 25, 2009 with fixed rate	10,000	10,000
Unsecured loans due on June 25, 2010 with fixed rate	3,000	3,000
Unsecured loans due on June 25, 2012 with fixed rate	4,000	4,000
Sub total	35,000	35,000
Total	¥64,500	¥50,500
Weighted average interest cost	1.07%	1.25%

On April 21, 2005, TOKYU REIT executed commitment line agreements which provided credit facilities totaling 2 billions of yen agreement with two banks. No amount has been drawn down as at July 31, 2005.

7. Collateral pledged

The net book value pledged as collateral to secure tenant lease hold and security deposits of ¥4,821 million outstanding as of July 31 and January 31, 2005 were as follows:

	July 31, 2005	January 31, 2005
	(Millions of yen)	
Property and equipment held in trust		
Buildings and structures		
Buildings	¥ 3,919	¥ 4,013
Structures	159	161
Land	5,586	5,586
Other tangible assets		
Tools, furniture and fixtures	0	0
Total	¥ 9,664	¥ 9,760

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2005

8. Rental revenue and expenses

Rental revenues and expenses for the six months ended July 31 and January 31, 2005 were as follows:

	For the six months ended	
	July 31, 2005	January 31, 2005
	(Millions of yen)	
Revenue from property leasing:		
Rental revenue:		
Rental revenue	¥ 4,156	¥ 3,679
Common area charges	613	518
Parking lot revenue under monthly contract	97	85
Other	367	348
Sub total	5,233	4,630
Other:		
Incidental income	398	359
Other	54	56
Sub total	452	415
Total revenue from property leasing	5,685	5,045
Rental service expenses:		
Utilities expenses	474	444
Subcontract expenses	422	381
Property management fees	130	109
Repairs and maintenance expenses	91	130
Property-related taxes	516	321
Insurance premium	17	17
Depreciation and amortization	895	802
Loss on disposal of property and equipment	33	-
Other	199	119
Total rental service expenses	2,777	2,323
Operating income from property leasing activities	¥ 2,908	¥ 2,722

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2005

9. Income taxes

Income taxes in Japan applicable to TOKYU REIT consist of corporate income tax, enterprise tax and inhabitant tax. The following is reconciliation between the statutory income tax rate in Japan and the effective tax rate reflected in the accompanying financial statements for the six months ended July 31 and January 31, 2005.

	For the six months ended	
	July 31, 2005	January 31, 2005
Statutory income tax rate	39.39%	39.39%
Deductible cash distributions	(39.37)	(39.36)
Other	0.03	0.04
Effective tax rate	0.05%	0.07%

TOKYU REIT has a policy of making cash distributions in excess of 90% of distributable income as defined in the Special Taxation Measures Law of Japan (“Special Taxation Measures Law”) for the fiscal period to qualify for conditions as set forth in Special Taxation Measures Law to achieve a deduction of cash distributions for income tax purposes. Based on such policy, TOKYU REIT treated the cash distributions as a tax allowable distribution as defined in Special Taxation Measures Law.

10. Per unit information

The following table summarizes the net income per unit for the six months ended July 31 and January 31, 2005 and the unitholders’ equity per unit as of July 31 and January 31, 2005.

	For the six months ended	
	July 31, 2005	January 31, 2005
Net income per unit	¥ 13,798	¥ 13,111
Weighted-average number of units ※1	142,000 units	141,283 units
※1 Average number of units weighed by days in each fiscal period.		
	As of July 31, 2005	As of January 31, 2005
Unitholders’ equity per unit	¥ 562,109	¥ 561,356

Diluted net income per unit is not presented since no warrants and convertible bonds were issued during the six months ended July 31 and January 31, 2005.

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2005

11. Leases

TOKYU REIT leases its properties to tenants under non-cancelable operating leases. As of July 31 and January 31, 2005, the future lease revenues under the non-cancelable operating leases were as follows:

	July 31, 2005	January 31, 2005
	(Millions of yen)	
Due within one year	¥ 5,243	¥ 4,951
Due after one year	33,739	35,286
Total	¥ 38,982	¥ 40,237

As of July 31 and January 31, 2005, the future lease payments under the non-cancelable operating leases were as follows:

	July 31, 2005	January 31, 2005
	(Millions of yen)	
Due within one year	¥ 286	¥ 285
Due after one year	2,776	2,919
Total	¥ 3,062	¥ 3,204

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2005

12. The financial results of each property (Unaudited)

Details on the financial results of each property for the six months ended July 31 and January 31, 2005 were as follows: (Unaudited)

For the six months ended July 31, 2005

Name of building		Revenue from property leasing	Property leasing expenses (*1)	NOI (*2)	Depreciation and amortization (*3)	Operating income from property leasing activities
Millions of yen						
R1	QFRONT	¥ 584	¥ 229	¥ 355	¥ 61	¥ 294
R2	Lexington Aoyama	159	29	130	7	123
R3	TOKYU REIT Omotesando Square	170	32	138	12	126
R4	Tokyu Saginuma Building	310	49	261	27	234
R5	Tokyu Saginuma 2 Building	65	14	51	8	43
R6	TOKYU REIT Shibuya Udagawa-cho Square	168	17	151	37	114
R7	Yokohama Yamashita-cho Building	242	60	182	74	108
R8	Beacon Hill Plaza	300	58	242	96	146
R9	PICASSO347	273	54	219	64	155
O1	Setagaya Business Square	1,219	547	672	268	404
O2	Tokyu Nampeidai-cho Building	171	31	140	30	110
O3	Tokyu Sakuragaoka-cho Building	238	48	190	25	165
O4	Tokyo Nissan Taito Building	209	92	117	50	67
O5	TOKYU REIT Akasaka Hinokicho Building	144	36	108	15	93
O6	TOKYU REIT Kamata Building	270	89	181	51	130
O7	Resona Maruha Building	723	252	471	61	410
O8	Fujita Kanko Toranomon Building	440	212	228	42	186
Total		¥ 5,685	¥ 1,849	¥ 3,836	¥ 928	¥ 2,908

For the six months ended January 31, 2005

Name of building		Revenue from property leasing	Property leasing expenses (*1)	NOI (*2)	Depreciation and amortization	Operating income from property leasing activities
Millions of yen						
R1	QFRONT	¥ 590	¥ 233	¥ 357	¥ 61	¥ 296
R2	Lexington Aoyama	159	28	131	7	124
R3	TOKYU REIT Omotesando Square	169	37	132	11	121
R4	Tokyu Saginuma Building	312	55	257	27	230
R5	Tokyu Saginuma 2 Building	65	15	50	8	42
R6	TOKYU REIT Shibuya Udagawa-cho Square	168	2	166	4	162
R7	Yokohama Yamashita-cho Building	239	47	192	74	118
R8	Beacon Hill Plaza	297	13	284	96	188
O1	Setagaya Business Square	1,229	563	665	268	397
O2	Tokyu Nampeidai-cho Building	171	40	131	30	101
O3	Tokyu Sakuragaoka-cho Building	238	49	189	25	164
O4	Tokyo Nissan Taito Building	209	85	124	50	74
O5	TOKYU REIT Akasaka Hinokicho Building	137	39	98	15	83
O6	TOKYU REIT Kamata Building	277	97	181	52	129
O7	Resona Maruha Building	670	175	495	60	435
O8	Fujita Kanko Toranomon Building	115	43	72	14	58
Total		¥ 5,045	¥ 1,521	¥ 3,524	¥ 802	¥ 2,722

TOKYU REIT, Inc.
Notes to Financial Statements, continued
For the six months ended July 31 and January 31, 2005

and amortization.

- (*2) NOI represents net operating income, calculated as revenue from property leasing minus property leasing expenses.
- (*3) Depreciation and amortization for 'TOKYU REIT Shibuya Udagawa-cho Square' includes Loss on disposal of property and equipment (33 millions of yen).

13. Distribution information

The Board of Directors of TOKYU REIT resolved on September 16 and March 18, 2005 to effect payment of cash distributions of ¥13,798 and ¥13,045 per unit to unitholders of record on July 31 and January 31, 2005, respectively. Retained earnings carried forward after the distributions are as follows:

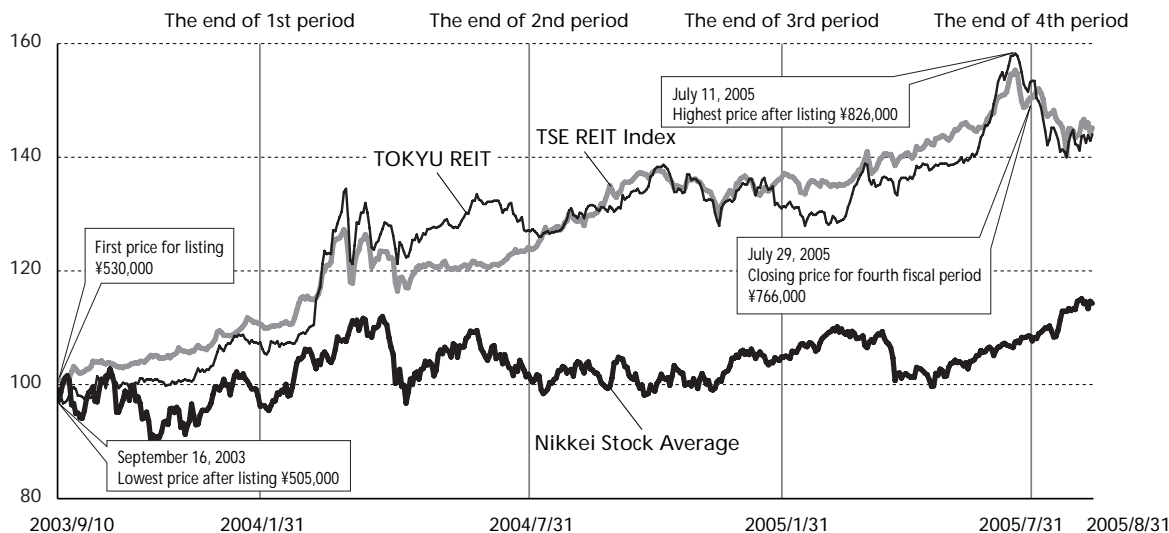
	July 31, 2005	January 31, 2005
	(Millions of yen)	
Retained earnings at end of period	¥ 1,959	¥ 1,852
Cash distributions declared	1,959	1,852
Retained earnings carried forward	¥ 0	¥ 0

14. Subsequent events

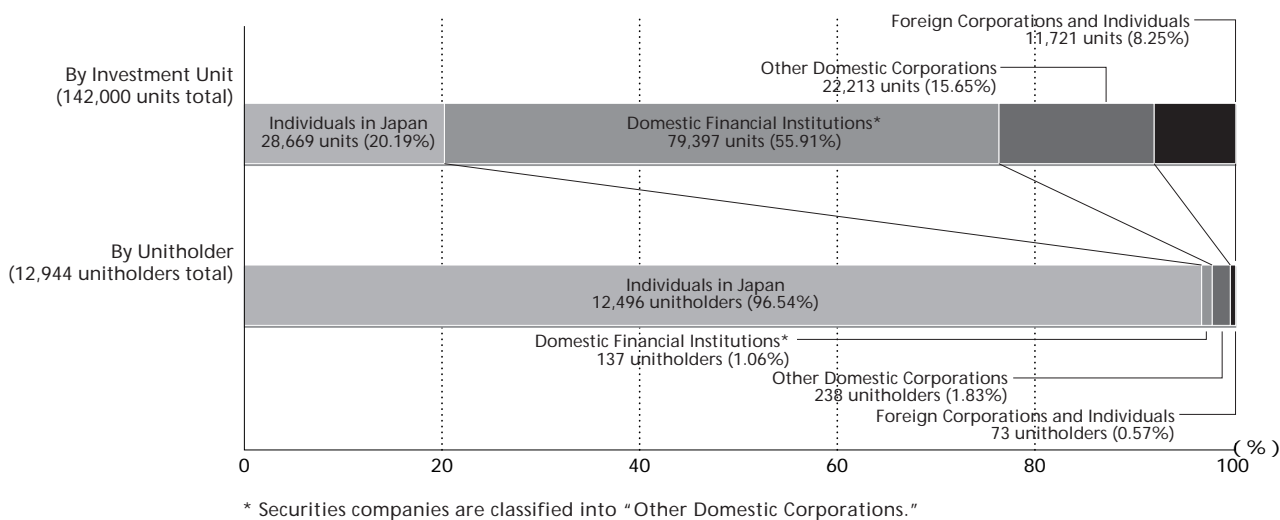
On August 1 and August 26, 2005, TOKYU REIT completed a public offering of 26,700 units for the proceeds of ¥19,659 million and a third-party allotment of 680 units for the proceeds of ¥501 million, respectively. TOKYU REIT intends to use the proceeds for the purpose of repayments of short-term debt and acquisition of properties. As a result, the total amount of capital became ¥98,020 million and the number of issued units became 169,380 on August 29, 2005.

Unitholder Information

Unit Price Chart



Unitholder Composition



Results Reporting Schedule

	4th Period	5th Period
Date of settlement	Jul. 31, 2005	Jan. 31, 2006
Announcement of results	Sep. 16, 2005	Mid Mar. 2006
Delivery of asset management report	Oct. 12, 2005	Mid Apr. 2006
Payment of dividends	Oct. 13, 2005	Mid Apr. 2006

Address

1-12-1 Dogenzaka, Shibuya-ku, Tokyo

Established

June 20, 2003

Executive Director

Masahiro Horie

Supervisory Directors

Giichi Yanagisawa

Maruhito Kondo

Independent Auditors

ChuoAoyama PricewaterhouseCoopers

3-2-5 Kasumigaseki, Chiyoda-ku, Tokyo

Date of Settlement

Annually on January 31 and July 31

Unitholders' General Meeting

More than once every two years

Date for Finalizing General Meeting Voting Rights

As designated under Article 13 of the by-laws

(Unitholders of record as of January 31, 2005

are eligible to exercise voting rights at the 2nd

Unitholders' General Meeting.)

Date for Determining Dividend Payments

Annually on January 31 and July 31

(Dividends paid within three months of this date)

Transfer Agent

The Mitsubishi UFJ Trust and Banking Corporation

1-4-5 Marunouchi, Chiyoda-ku, Tokyo

Transfer Agent Head Business Office

Transfer Agent Department

The Mitsubishi UFJ Trust and Banking Corporation

1-7-7 Nishi-Ikebukuro, Toshima-ku, Tokyo

Tel: 0120-707-696 (Toll free number)

Transfer Agent Locations

Nationwide branches of The Mitsubishi UFJ Trust and Banking Corporation

Nationwide head office and branch offices of Nomura Securities Co., Ltd.

Listing

Tokyo Stock Exchange (8957)

TOKYU REIT

TOKYU REIT, Inc.
www.tokyu-reit.co.jp